

FINANCIAL TIMES

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D 8523 B

Soares the
long distance
runner Page 2

Israelis drive inside Lebanon

Israeli armoured columns advanced north of Israel's self-proclaimed security zone in southern Lebanon in a search-and-destroy mission that followed a guerrilla attack on Israeli troops.

The armoured columns were said to be searching villages about 10 miles north of the Lebanese border.

Falklands stand

Britain remains firm in its refusal to discuss the sovereignty of the Falklands, despite an offer by a junior minister to meet with a visiting delegation of four Argentine parliamentarians, the Foreign Office said.

Riots kill three

At least three people died as South African police battled with rioters in the black township of Alexandra on the outskirts of Johannesburg's affluent white suburbs. Threat by snipers.

Banks bombed

Bombs caused damage but no casualties at six branches of the Societe Generale bank in Corsica. Police said leaflets of the Corsican National Liberation Front, an outlawed separatist group, were found at the explosion sites.

Lost soldiers sought

A delegation of Israeli officers went to Cairo to examine Egyptian documents in a bid to determine the fate of 17 soldiers listed as missing in action in past wars between the two countries.

Peru buys arms

North Korea will supply Peru with 10,000 sub-machine guns and will send advisers to train Peruvians in producing the ammunition for the weapons, the Interior Ministry said in Lima.

Irish divorce bid

Ireland's Labour party is planning to introduce a bill today for legalising divorce, but its coalition partner Fine Gael is expected to defeat it, preferring to wait until victory would be assured in the required referendum.

Overture to Turkey

The European Community decided to reopen contacts with Turkey and agreed to call a special meeting this year under its association pact with Ankara.

Security plea

The US has asked for tighter security around American passengers and aircraft at a number of airports in Western Europe, including Amsterdam, a spokesman for the Schiphol airport said.

Mine fire kills 7

An explosion and fire at a West German coal mine outside Saarbrücken left seven miners dead and another injured.

Seoul round-up

South Korean police continued to round up political opponents and placed some dissident leaders under house arrest in an attempt to head off a petition campaign calling for direct presidential elections.

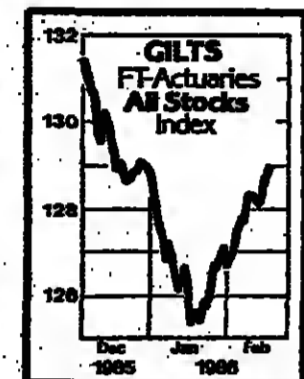
Wines tainted

The Rhineland Palatinate Health Ministry said that a testing programme revealed 20 West German wines containing prohibited levels of diethylene glycol, a chemical used in anti-freeze and believed harmful to the human kidney and liver. A scandal erupted in Austria last year over use of the illegal sweetener.

Fermenta moves to restore confidence

FERMENTA, Swedish biotechnology and chemicals group, said Refs. at Et-Sayed, majority owner of the company who admitted lying to investors about his academic credentials, had resigned as managing director. The group also said 1985 profits jumped to SKr 520m (943m) from SKr 25m and were expected to more than double again this year.

TOKYO: prices rose for the third consecutive session. The Nikkei share index gained 43.61 to 12,447.91.



LONDON: stocks firmed on bid news then faded later. The FT Ordinary share index added 1.9 to a record 1,220.7 while the FT-SE 100 share index slipped 2.6 to 1,473.3. Gilts made gains.

WALL STREET: Markets were closed for a public holiday.

DOLLAR was weak in London, falling to DM 2.33 (DM 2.34). SFR 1.925 (SFR 1.944). FRF 7.18 (FRF 7.2) and Y180.15 (Y181.9). On Bank of England figures the dollar's exchange rate index fell to 118.9 from 120.4.

STERLING traded quietly in London, gaining 0.35 cents against the dollar to \$1.925, but falling to DM 2.328 (DM 2.335). SFR 2.755 (SFR 2.757). FRF 10.2 (FRF 10.21) and Y180.9 (Y180.8). The pound's exchange rate index was unchanged at 73.6.

GOLD rose \$1.75 on the London bullion market to \$333.25 and was \$2.65 higher in Zurich; also to \$333.25.

PHILIPPINES Central Bank raised interest rates on its certificate of deposits to between 28 and 30 per cent, in an effort to absorb an excess of reserve money.

PEOPLES Jewellers of Toronto made a \$420m unsolicited bid for the much larger Texas-based Zale Corporation, also a jewellery group.

BRITISH LEYLAND commercial vehicle production rose by almost 25 per cent last year, boosted by a series of new models.

ITT, US conglomerate specialising in communications, highlighted its dependence of Europe for its manufacturing base, with its abandonment of the System 12 digital telephone exchange switch.

BECHTEL, the US engineering company, and John Laing Construction have set up a joint UK company, Laing Bechtel Petroleum Development which will carry out design and engineering work for oil and gas projects in the North Sea and elsewhere.

SIGMA International, a Singapore listed company controlled by Tan Koon Swan, was placed in receivership with loans outstanding of more than S\$10m (\$8.4m).

BELL RESOURCES Group lodged a formal takeover document for Broken Hill Proprietary Company.

ITALTELE, Italian state-owned telecommunications group, lifted 1985 profits by 60 per cent to L40bn (\$25m).

PETROFINA, international oil and chemicals group, became second Belgian company to announce a co-operation agreement with Japanese trading house, Sumitomo.

Portuguese test for cohabitation of left and right

"FOR MY PART, there will not be difficulties between the President of the Republic and the Government," Mario Soares, during his presidential campaign.

"I will do everything to avoid any conflict with the President of the Republic," Prime Minister Antonio Cavaco Silva, after Mr Soares' victory.

The big question in the wake of Mr Soares' election as President of Portugal is not so much the direction of government policy - which is unlikely to be greatly affected - as the relationship between the Government and the President, writes Diana Smith and David White in Lisbon.

Mr Cavaco Silva, the centre-right

Social Democrat who replaced Mr Soares as Prime Minister four months ago, argued during the campaign that having Mr Soares as President would be a spanner in the Government's works and that what was needed was political "harmony" between the two institutions.

The electorate appears, however, to have rejected this argument and to have stuck by the idea of the President as a moderator in the nation's political life, rather than as a partner for the Government.

The limited constitutional powers given to the Portuguese President provide less room for a serious clash than does the situation that is now looming in France. But the current system has so far been tried with only one elected president,

General Antonio Ramalho Eanes, who had a neutral posture and who was engaged in constant sniping with successive governments.

Mr Soares, who campaigned on the need for stability in the early period of Portugal's membership of the European Community, has pledged that the Government, so long as it has the confidence of parliament, can count upon his co-operation. In his victory speech, he repeated that he considered it a "legitimate" Government and would respect it.

In the normal run of things, president and prime minister meet routinely once a week, parliament legislates and the president promulgates. But the Portuguese President

is more than a figurehead post, and enjoys some real power, especially in crises, which have been frequent in Portugal.

This hybrid system was conceived in the first instance less to achieve a balance between the two institutions of directly-elected president and parliamentary government than to accommodate the two chief elements in Portugal's switch to democracy after the 1974 revolution which overthrew the previous right-wing dictatorship. The armed forces movement and the political parties had to be accorded a role and a military council of the revolution, headed by the president, was in place until 1982.

As Mr Soares likes to put it, the

President has at his disposal the atomic bomb (the power to dissolve parliament) but no conventional weapons. He sees the President as being able to exert a great deal of influence, however, if he has sufficient personal status.

The 1982 constitutional reform had the overall effect of reinforcing the parliamentary nature of the system, for instance by limiting the period during which a President can force general elections. But it also strengthened some of the President's personal powers, extending the areas, such as defence, in which a presidential veto can only be over-

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Kohl faces criminal probe into perjury allegations

By Rupert Cornwell in Bonn

CHANCELLOR HELMUT KOHL is facing a criminal investigation into allegations that he lied to a parliamentary committee over the receipt of two sums totalling DM 55,000 (\$23,400) from the former Flick industrial concern, at the centre of West Germany's most serious party-financing scandal.

The proceedings are expected to be opened formally later this week by the public prosecutor's office in the city of Koblenz. Assuming it does go ahead, the investigation will be the first of its kind to involve a Federal Chancellor in office, and could have serious implications both for Mr Kohl and for his ruling Christian Democrat (CDU) party.

Rumours that the Chancellor could be dragged back into the Flick affair have been circulating for several days. But only yesterday did Mr Heribert Braun, the chief prosecutor in Koblenz, confirm that his office wanted to press ahead with a full enquiry. The public prosecutor in Bonn is understood to be considering a similar move.

They can begin 48 hours after notification to Mr Philipp Jenninger, the President of the Bundestag, of which Mr Kohl is a member. By late yesterday afternoon, no such application had been made, but Mr Friedrich Oet, the Government spokesman, confirmed that the Chancellor had already instructed a lawyer to represent him, "because of press reports about the case."

The two accusations of perjury against Mr Kohl stem from two major explanations he has given of his role in accepting money from Flick.

The first was in November 1984, before the special committee set up by the Bundestag to investigate the affair; the second, last July, to a similar body of the parliament of the state of Rhineland Palatinate, where the Chancellor was Prime Minister between 1969 and 1976, the period when the donations are alleged to have been made.

Both charges have been levelled by Mr Otto Schily, the leading Green member of the Bundestag committee, a lawyer, and easily its most penetrating questioner, who caused Mr Kohl acute discomfort when he gave evidence in 1984.

When the Flick affair went public in 1982, records punctiliously kept by the group's former management suggested that of DM 25m or more of donations to all major parties, some DM 565,000 were channelled to the CDU through Mr Kohl.

The Chancellor, however, admitted to the Bundestag committee

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Berlin corruption, Page 2

United Biscuits tops Hanson's increased bid for Imperial

By Martin Dickson in London

THE TAKEOVER battle for Imperial Group, the British-based tobacco, brewing and food company, took an extraordinary turn yesterday as Hanson Trust increased its bid to £2.25bn - only to see this topped by a rival £2.5bn (\$3.5bn) offer from United Biscuits.

United accompanied its offer with a market raid, picking up 1.7 per cent of Imperial's shares by the time the London Stock Exchange closed. It is believed to have lifted the stake to nearly 10 per cent in after-hours dealings.

The intervention came just five days after the British Government referred to the Monopolies and Mergers Commission a planned merger between Imperial and United Biscuits. This was to have taken the form of an offer by Imperial, the larger company, for United. Hanson's bid for Imperial was not refuted, greatly boosting its chances of success. Reference to the Monopolies Commission effectively froze a takeover bid for at least six months.

Over the weekend, however, Imperial and United abandoned their merger plans and the Government laid aside the reference, thus clearing the way for United to launch its bid yesterday.

In an attempt to avoid another reference to the commission, United said that if it won it would sell off Imperial's Golden Wonder subsidiary, a manufacturer of crisps and snacks.

The Government is thought to have referred the original deal because a combination of Golden Wonder and United's KP subsidiary would have given the merged group about 40 per cent of the UK snacks market.

United said yesterday that it had taken preliminary soundings and "had every reason to believe" that its new plans would satisfy the Of-

fice of Fair Trading and avoid a monopolies reference. The OFT, which monitors UK trading practices and advises the Government on proposed mergers, declined to comment.

Imperial would only say that it had noted the United offer, to which it would give careful consideration, and also the Hanson offer. Imperial is clearly much more favourably disposed to the United bid. The two are expected to meet today in an attempt to flesh out the terms in a manner which would allow the Imperial board to recommend them.

United is offering five of its shares, plus five new convertible preferred shares, plus 275p in cash for every six Imperial shares. There is a cash alternative for the preferred shares. On the basis of United's closing price last night of 92 1/2p, down 10p on the day, the offer is worth about \$32p for each Imperial share.

Hanson's new offer - some 28 per cent higher than its initial £1.8bn bid - is one Hanson ordinary share, plus 153p in cash, or convertible stock or loan notes, for each Imperial share. On the basis of Hanson's closing price of 148p, down 3p, that offer is worth about 382p for each Imperial share. Hanson includes a full cash alternative, underwritten at 293p a share.

Both offers would allow Imperial shareholders to keep their proposed final dividend of 8.6p net a share.

Imperial's share price soared on the two offers, to close last night at 320p, up 28p on the day.

Hanson accompanied its offer with a forecast that its pre-tax profits in the year to September 1986 would be not less than £340m, up 34 per cent on last year, and that its dividends would total not less than 4p net, up 22 per cent.

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Marcos plays down visit of US envoy

By Chris Sherwell and Samuel Senoren in Manila and Reginald Dale in Washington

MR PHILIP HABIB, the US special envoy dispatched to Manila after this month's disputed presidential election, ran into some heavy weather yesterday in his first talks with President Ferdinand Marcos and the opposition challenger, Mrs Corason Aquino.

Statements from the two battling Philippine leaders showed Mr Marcos downplaying Mr Habib's visit and Mrs Aquino insisting on a transfer of power. Their irreconcilable positions emphasised the dilemma for the US, which is concerned about its strategic military bases in the country.

In Washington, three Democratic senators urged President Ronald Reagan to call on Mr Marcos to step down and hand over power to Mrs Aquino, "the legitimate winner of the election." After a weekend visit to the Philippines they said that if Mr Reagan did not do so, the US would be "tied to the mast of a sinking ship" and could lose its two bases.

The three senators, Mr David Boren of Oklahoma, Mr Carl Levin of Michigan and Mr David Pryor of Arkansas, said that the Filipino people were counting on the US to reaffirm their faith in democracy and believed that Mr Reagan had "the power to end all legitimacy of the Marcos government."

Mr Habib's talks took place as the Philippines central bank acted to raise domestic interest rates following a money supply explosion which many believe reflects spending during the election campaign.

The bank announced yesterday that yields on its three-month central bank bills would rise 9 percentage points, from 18 per cent to 27 per cent from today. The move will lead to a dramatic across-the-board rise in interest rates and promises a further setback for the country's sharply contracting economy.

Behind the action is a determination by the Government to meet monetary targets agreed with the

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Rescue plan for Brent market

By Dominic Lawson in London

LEADING oil companies are preparing to rescue the forward market in North Sea Brent, the main UK crude oil, which collapsed last week amid claimed defaults and threatened litigation.

The situation was discussed at a meeting on Sunday between representatives of BP, Shell, Conoco, Sun Oil, and Galati, a Swiss oil company which claims to have been the recipient of false nominations for cargoes of Brent oil for delivery in February.

The major oil companies use the forward market in Brent extensively to hedge against unexpected price changes and also to establish a price for dealings with the Oil Taxation Office. One of the companies said yesterday: "We do not want to see this market collapse. First we must put out the fire in the house,

and then we must make sure it does not happen again."

The Brent market, which last year attracted deals worth a potential £100bn (\$141bn) is unregulated, with no central clearing facility. The leading oil companies are resolutely against any formal regulatory body, but are now contemplating less radical ways of ensuring smooth functioning of the market.

One idea being considered is a requirement for any participant in the market to put up a "performance bond" of a size to be agreed between buyer and seller, which would be forfeited if either party failed to meet its obligations.

A second suggestion is that the increasingly complex "daisy chains" of interlocking trades should have to pass through a central operations office, which would be able to expedite the transactions.

Yesterday, the Brent market remained dormant, with only one trade being recorded. A March shipment of Brent was discussed at a price range between \$16.65 and \$16.80 a barrel.

Mr Michel Marks, chairman of the New York Mercantile Exchange (Nymex), the world's largest oil futures market, said in London yesterday that he expected market news to come to Nymex, at least temporarily, as a result of the Brent market collapse.

Mr Marks ruled out the possibility of similar problems affecting Nymex. "We have a very rigid system of controls, check and balances. There is a clear cut difference between commodity trading in the US, where it is regulated, and in the UK, where it is based on gentlemen's agreements," he said.

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EUROPEAN NEWS

Election of Soares reflects hopes for stability and progress

BY DIANA SMITH AND DAVID WHITE IN LISBON

"I AM not optimistic," said Mr. Mario Soares last November, when his presidential hopes appeared to have been compromised by the crushing defeat received by his Socialist Party in general elections. "I am determined."

By pipping the conservative favourite, Mr. Diogo Freitas do Amaral, at the post on Sunday the 61-year-old Mr. Soares reached the culmination of a career in the forefront of Portugal's politics since it ended its sombre half century of dictatorship 12 years ago.

As part of the new image he promoted during the campaign, Mr. Soares recruited support from showbiz figures and from Portugal's Olympic marathon

champion Carlos Lopes. "We are both long-distance runners," ran one election poster. In a marathon in Japan last week, Mr. Lopes had to give up an hour from the finish.

Not so Mario Soares, the man who has now assumed the mantle of the new incarnation of modern Portuguese democracy. Mr. Soares was brought up to relish political challenge. His schoolmaster father, an active republican during the pre-1910 monarchy, became a lifelong conspirator constantly in jail, exile or living clandestinely. At the age of 70 he found himself in the same jail as his son—then a student leader in the underground Young Communist movement.

Mr. Soares studied law under Mr. Alvaro Cunhal, who, as leader of the pro-Soviet Communists became his principal civilian rival after the 1974 revolution. Since the mid 1950s he has distanced himself from the Communists and after being repeatedly detained and deported to the tropical island of Sao Tome, he founded the Socialist Party in exile in 1973. Returning in triumph from Paris three days after the 1974 revolution, he became democratic Portugal's first Foreign Minister—with the job of gaining acceptance for it in Europe.

In the post-revolutionary fighting, he also became public enemy number one of Mr. Cunhal's Communists. Mr. Cunhal

ordered his voters out on Sunday to back Mr. Soares, which he made clear was not the same thing as supporting him, and sooner or later can be expected to present his "hill" for the favour.

The deal in Mr. Soares's image came mainly from his record as Prime Minister in 1976-78 and again in 1983-85, when the Socialists had to pay the political cost of their tough economic austerity measures. He is also criticised for his visible fondness for creature comforts, his vanity, high-handedness and favouritism.

But his victory has had a clear impact on Portuguese politics. By outshining the two other left-wing candidates in

the first round, he established Socialist supremacy on the left and at the same time helped to put Portuguese politics on a more classical European-style footing, a move away from the apparent parallel with South America.

His second round triumph is also a setback for Mr. Anibal Cavaco Silva, the Social Democrat leader, who became Prime Minister in October after breaking his party's alliance with the Socialists. Although the standing of Mr. Cavaco's minority government, with its technocrat get-down-to-work approach, appears to be good, his strategy of having Mr. Freitas as President in a strong centre right front

has fallen apart.

Mr. Cavaco had met some resistance in his party over his backing of Mr. Freitas, and may now have a harder time preventing cracks from reappearing in the party. Both it and the Socialist Party have congresses coming up in the spring.

For the Socialists, Mr. Soares's victory means looking for another Secretary General. Mr. Vitor Constancio, Governor of the Bank of Portugal, is being strongly tipped for the post. For all its short and eventful history in the far left of the socialist spectrum to the middle of the road — it has never had anybody but Mr. Soares.

Sweden's trade shows surplus in January

By Kevin Donohue, Nordic Correspondent in Stockholm

SWEDEN ACHIEVED a trade surplus of SKr 1.3bn (\$123m) in January, a clear improvement on January 1985, when exports and imports were in balance. The value of exports rose by 3 per cent to SKr 20.6bn, while that of imports fell by 3 per cent to SKr 19.3bn.

The central office of statistics credited the improvement to falling oil prices and the fact that ice in the Baltic Sea has not proved such a problem for access to Swedish ports this winter. The cost of oil imports in January was 15 per cent lower than a year earlier despite unchanged volumes.

Swedish industrial production rose by 2.6 per cent last year to a record level, according to preliminary figures from the statistics office. The rate of increase slowed from 1983 and 1984, however, when industrial output jumped by 4.5 per cent and 7.1 per cent respectively. The main impetus to further growth last year came from exports and stock-building.

Since the upturn began in the final quarter of 1982, industrial output has risen by a total of 13 per cent.

The main improvement last year came from the engineering industry, which accounts for 45 per cent of industrial output, but paper and board and chemicals also showed an increase.

The unemployment rate in Sweden rose 2.5 per cent in January. In addition to the 125,000 people registered as unemployed, a further 88,000, or 2.2 per cent of the workforce, were employed on some form of labour market support measures.

Divorce bill likely to fail in Ireland

By Hugh Conway in Dublin

THE IRISH Labour Party will introduce a bill in Parliament today to legalise divorce for the first time in the Republic, but the measure is likely to be voted down by Labour's Fine Gael coalition partners.

Dr. Garret FitzGerald, the Prime Minister, in allowing a free vote by Fine Gael MPs but he has made it clear he wants the bill defeated despite his commitment to the lifting of the constitutional ban on divorce.

This peculiar situation has arisen because Dr. FitzGerald is reluctant to proceed with the required referendum on dropping the divorce ban until he is convinced it will be approved by the electorate. Recent opinion polls have shown up to 77 per cent support for the idea of limited divorce measures, but much less certain support for altering the constitution.

Labour expects the opposition Fianna Fail party to abstain and enough Fine Gaelers to vote against when the vote is taken on February 26 to defeat the bill, despite support from the newly formed Progressive Democrats.

Supporters of Labour's bill, which would allow divorce only in cases of irretrievable marriage breakdown, say the Prime Minister is seeking the issue for fear of provoking a constitutional debate at a time of low government popularity.

Along with Malta, Ireland is the only European country which does not allow divorce. Pro-divorce groups estimate some 70,000 people in the Republic are trapped in unwanted marriages.

Leslie Colitt in Berlin reports on an affair which threatens to tarnish the city's image
Latest West Berlin corruption scandal widens

WEST BERLIN is in danger of trading its reputation as the West's outpost of freedom inside East Germany for that of the corruption capital of Germany.

Even some of the names in West Berlin's latest corruption scandal, billed as the biggest since 1945, sound like minor characters from Bertolt Brecht's Threepenny Opera. There is Mr. Otto Schwann, flamboyant owner of several bordellos, who is in detention charged with bribing a former Charlottenburg district building councillor, also under arrest. There is also Mr. Otto Putsch, arrested for allegedly seeking to influence the councillor.

They are, however, bit players in an affair which is widening ramifications and has already touched

Mr. Eberhard Diepgen, the city's Christian Democrat (CDU) governing mayor. Until the scandal broke, Mr. Diepgen had a reputation as one of the city's more successful recent leaders. Along with his predecessor, Mr. Richard von Weizsäcker who became West Germany's President in 1984, Mr. Diepgen promised to end "Filzkabale", the thick web of party favouritism under the Social Democrats (SPD). Two previous SPD mayors were forced to resign because of municipal corruption.

The 44-year-old mayor managed to restore the crucial confidence of West Germany's Government and businessmen in the city and to reverse its industrial decline. Mem-

bers of his team were even touting Mr. Diepgen, who is at the liberal end of the CDU spectrum, as a natural successor to Mr. Helmut Kohl, West Germany's Chancellor, who they were openly ridiculing.

Now, however, it is Mr. Kohl who is worried lest the Berlin scandals stain his own leadership in the buildup to next year's national elections.

At the centre of the investigations by the Public Prosecutor's Office is a prominent local builder, recently released from detention on DM 1m (\$427,350) bail. He was suspected of bribing city officials, including the CDU mayor of the Hagen district who was recently suspended by Mr. Diepgen.

Two officials of the city's building department were arrested and a member of the finance department. In all, 37 people are under investigation for offering and receiving bribes, including a former SPD municipal building councillor.



Chancellor Helmut Kohl worried about scandals

The builder is further alleged to have donated hundreds of thousands of D-Marks to the CDU, and previously to the SPD, including DM 50,000 to Mr. Diepgen before becoming mayor. He acknowledged receiving the money — which was not illegal — which he passed on to his party.

West German law is hazy on the subject of what constitutes bribery of a public official. Direct benefits must be proven to the person offering the bribe, but the prosecutors believe they have ample evidence of this.

The builder is alleged to have saved hundreds of thousands of D-Marks by evading the building code with the help of city officials.

The investigation has opened up a Pandora's Box of apparent collusion between officials and city builders. Building companies were able to buy key property sites before the city declared them priority development areas.

Property speculators also found West Berlin enticing because of the enormous government subsidies for the construction of lower rent "social housing." Local builders boast-

ed their construction costs — on paper — in order to present astronomical bills to the city-owned Building Credit Society (WBS) which paid them the difference between the low rent and their high costs.

The builders created tax depreciation companies which sold shares in the apartment houses to well-to-do West Germans. They were unconcerned about the high building costs because their main interest was to lose money in order to reduce their taxes.

The only party to emerge unscathed is West Berlin's version of the "Green Party," the Alternative List.

Meanwhile, Mr. Diepgen is preparing for a trip to Washington this month. Concerned about the impact of the scandal on West Berlin's reputation in the US, the mayor's advisers were relieved by the assessment of US officials. They noted that it would raise barely a ripple in America where urban corruption was a time-honoured institution.

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US hopes for accords on SDI by the summer

BY PETER MARSH

THE UNITED STATES hopes to finalise by the summer research agreements for the Strategic Defence Initiative (SDI) with West Germany, Italy, Israel and Japan, according to Dr. William Schneider, an Under-Secretary at the US State Department. He said in London that these agreements would be broadly similar to that signed with Britain in December under which UK companies and research groups can bid for work on the \$26bn programme.

The so-called Star Wars project is designed to produce by the 1990s a strategy to protect the West from nuclear missiles, for example by shooting them down with lasers.

Addressing a conference on the SDI organised by the Conservative Party's Bow Group, Dr. Schneider said he hoped that over the next few weeks the US Government would sign several specific research contracts on Star Wars with foreign companies.

LA-Gen James Abrahamson, director of the Pentagon's SDI organisation, said that the agreements with Britain represented an effort to "nurture" UK technology without requiring researchers to travel to the US.

"We are not here to pick the cherries from your technical

genius. We are not here to steal ideas but to back people," he said.

The SDI organisation is discussing about 10 contracts with British groups worth a total of roughly £1m. General Abrahamson will give details today of the classified aspects of Star Wars to a meeting in London of about 100 UK companies.

Foreign research groups, he said, had much to offer the SDI project in technologies such as sensors to spot the positions of warheads in space, and composite materials that could form the basis of lightweight space platforms to carry devices such as mirrors which would direct lasers to their targets.

Gen. Abrahamson flies to Israel tomorrow for discussions with researchers there on work in another promising technology—rail guns; space-based devices which would destroy missiles by shooting small, automatically guided pellets accelerated by electro-magnetic forces.

Even though the French Government has turned down the invitation to participate formally in Star Wars, Gen. Abrahamson said that two French companies had approached the Pentagon with their own plans for theoretical studies to defend Europe from nuclear weapons.

Dutch move on euthanasia

A BILL to legalise active euthanasia in the Netherlands, the first of its kind in the world, threatens to divide the governing Christian Democrat-Liberal coalition in the run-up to the general election on May 21, writes Laura Kana in Amsterdam.

During a parliamentary committee debate yesterday, the right-of-centre Liberals sided with the opposition Labour party in broadly supporting the bill proposed by the Democrats' 66 party, Mr. Ruud Lubbers, the Christian Democratic Prime Minister, opposes it deeply and wants it postponed until the next Government is formed. The bill would permit mercy killing at the request of a terminally ill person.

FINANCIAL TIMES

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EUROPEAN NEWS

Gaps in ranks as EEC reform package signed

BY QUENTIN FEE IN LUXEMBOURG

NINE of the 12 EEC member states yesterday solemnly put their names to a hard-fought package of Community reforms—but Denmark, Italy and Greece refused to come to the party.

The signing ceremony of the Single European Act, resounding with the phrase "Europe of the future", was held in the grand hall of the Grand Ducal Palace in Luxembourg. The nine signatories were: Belgium, France, Germany, the Netherlands, Portugal, Spain, the United Kingdom, Ireland and Greece.

Mr Jacques Delors, president of the European Commission, was represented by Mr Frans Andriessen, his Dutch vice-president. Mr Pierre Pflimlin, president of the European Parliament, deliberately sent a replacement to indicate his own unhappiness with the whole exercise.

Sir Geoffrey Howe, the British Foreign Secretary, was on his travels in Kathmandu, and Mr Jacques Poos, his Luxembourg counterpart who chaired the whole reform conference last year, was recovering from an operation.

Mr Giulio Andreotti, the Italian Foreign Minister, who launched the whole exercise at the EEC summit in Milan last June, stayed in the wings to emphasise his country's dissatisfaction with the modest outcome.

Mr Uffe Ellemann-Jensen of Denmark was back in Copenhagen for the deal in the Danish referendum next week, and overcame fears that it all goes much too far. Mr Theodore Pangalos of Greece said he would sign soon, but he

did not want to isolate the Danes.

In the end, it was probably the normally dissenting British who showed the most satisfaction with the result. Mrs Lynda Chalker, the Minister of State standing in for Sir Geoffrey, was positively enthusiastic.

"It is a good agreement for the Community, and it is a good agreement for Britain," she declared. "It is going to help us with the vital task of removing the remaining stifling barriers to trade within the Community. It will boost research efforts, which are essential to make us competitive with the US and Japan."

Mr Hans van den Broek, the Dutch Foreign Minister and current chairman of the EEC Council of Ministers, could not wait quite so lyrical.

He was satisfied that the European Act would strengthen the decision-making power of the Community by extending the use of majority voting. It would make a common market easier to achieve. It would give more influence to the European Parliament. It would provide a legal framework for future support for science and technology.

Despite its unavoidable shortcomings, the European Act definitely represents progress and a step in the right direction," he declared. But he was saddened that the list of signatories was not complete. No amendment to the Treaty of Rome, the constitution of the Community, can be agreed without unanimity.

Now everything is really up to Denmark and the February 27 referendum. If that approves the package, then there is little doubt that Greece and eventually Italy will fall into line.

Community to revive ties with Turkey

By Quentin Fee

EEC FOREIGN ministers yesterday cleared the way for a revival of their association agreement with Turkey—but only after they have held an extended period of informal negotiations.

They held out the prospect of a ministerial-level meeting in the autumn—the first since June 1981, since when European unease over Turkey's human rights record has effectively frozen closer contact.

Informal talks will be conducted by both the Netherlands—the current EEC chairman—and the European Commission, in an effort to find common ground on the most sensitive issues.

They include a commitment by the Community to allow free entry of Turkish migrant workers from the end of the year, the blocking of EEC financial aid agreed in 1981, and a dispute over the level of Turkish textiles sales to the EEC.

The delay in convening a meeting of the Turkey-EEC association council, which Britain, West Germany and the Netherlands had wanted in the coming months, was agreed in deference to Greek objections. In return, it seems likely that Greece will not finally seek to block the talks.

Mrs Lynda Chalker, the Minister of State at the British Foreign Office, said relations with Turkey were now proceeding better "than one might have thought six months ago."

The Turkish human rights record had improved, and Denmark had lifted its reservation over EEC financial assistance, she said.

The outstanding problems in EEC-Turkey relations will still prove very tricky to resolve, with West Germany adamant that free movement of migrant workers cannot be allowed so quickly, and EEC fears about textiles reinforced by the recent accession of Portugal.

Ozal begins visit to London

By Robert Mawhood, Diplomatic Correspondent

MR TURGUT OZAL, the Turkish Prime Minister, who arrived in Britain yesterday for a four-day official visit, is due to have talks tomorrow with Mrs Margaret Thatcher, the Prime Minister, covering the whole range of bilateral relations, the EEC, Nato and East-West problems.

Yesterday he met Sir James Galloway, president of the Confederation of British Industry and later was the dinner guest of Mr Paul Channon, Secretary of State for Trade and Industry, with whom he was expected to discuss Anglo-Turkish industrial co-operation, particularly nuclear and road projects.

Defence contracts, such as the sale of Tornado military aircraft to Turkey, are also high on Mr Ozal's agenda in London.

The Turkish Premier—the first to visit Britain for 38 years—was expected to seek Mrs Thatcher's support for a closer Turkish relationship with the European Community, after yesterday's decision by EEC foreign ministers to call a meeting this autumn of the EEC-Turkey Association Council.

The British government's view is that while it is desirable for the association agreement, blocked since 1961 to be reactivated, full Turkish membership of the Community cannot be considered a practical proposition for at least 10 years.

Oil price fall helps Austria growth rate

THE SHARP fall in world oil prices should boost Austria's growth rate to some 3 per cent this year and boost its trade, the head of the country's Economic Research Institute said yesterday, Reuters reports from Vienna.

Mr Helmut Kramer said that the benefit to the trade and current accounts should be at least Sch 18bn (£42bn) this year.

Lower oil prices should also reduce the projected inflation rate of 3 per cent by around one percentage point. Austria has one of the lowest rates in Europe. He stressed, however, that while tumbling oil prices had brought "a warm rain" to Europe, they also meant long-term drawbacks, including the reduced buying power of oil exporters.

French seek to set up a Commonwealth

BY DAVID HOUSEGO IN PARIS

A LONG-STANDING French dream of establishing a French Commonwealth of nations was set on foot yesterday with the first summit gathering in Paris of Francophone states.

Some 40 French-speaking countries were represented at the conference which was opened in the splendid Salle des Congresses et Versailles by President Francois Mitterrand. He told his audience of heads of state and prime ministers that "the identity of the French-speaking world is threatened" and that French-speaking nations needed to take resolute action against the removal of linguistic differences.

The aim of the conference is to provide a French equivalent to the British Commonwealth as a lobby group in international affairs. But the span of countries and the range of topics up for discussion during the three-day meeting—from culture to Third World debt and South Africa—suggest it could become bogged down in the same differences of ideology and outlook as the Commonwealth. Chad and Haiti were not on the formal agenda.

But the convening of the meeting also reflects a very real fear that French could be pushed aside by the development of English as the international language of computers and data banks.

At the same time, the French feel that there is a large market to be tapped for French-based language industries exploiting areas such as the computerised editing of texts in French and computer recognition of spoken words in French.

Coming just before the March general elections in



President Francois Mitterrand at the conference yesterday surrounded by French-speaking leaders from around the world

France, the conference also provides a political boost for the President as the goal of promoting the French-speaking world is shared by all political parties. Mr Mitterrand's own prestige amongst the African states attending the conference was enhanced by the successful attack over the weekend against the Libyan constructed airbase in northern Chad.

The French-speaking African states represented the largest single contingent from any one continent at the conference. North America was represented by Canada and by two of its provinces, New Brunswick and Quebec. It was a long unresolved dispute over the representation of Quebec that scotched earlier attempts to get the summit off the ground.

FRANCE HAS been urged by the Organisation for Economic Co-operation and Development to break down barriers in its science community and put more emphasis on small companies to maximise technological benefits for the economy, writes David Marsh in Paris.

In a review of innovation policies in France, the OECD said France needed to step up efforts to promote mobility of scientists and engineers between education establishments and industrial companies.

France should try to make recruitment of engineers and scientists into the "Grandes Ecoles," led by the Ecole Polytechnique and the Ecole Nationale d'Administration, much less elitist. These two education establishments at

present have overwhelming influence in selecting managers and decision-makers for big state-run technology programmes.

"The present elite has concentrated in its own hands the major responsibilities in the more important public and private institutions, but it could now prove inadequate given the challenges and tasks the country is going to have to face," the OECD says.

The Organisation also calls for maximum decentralisation of innovation policies aimed at supporting small and medium-sized companies. More efforts need to be made to channel capital in start-up businesses and to spread technological benefits from large state-decreed programmes in areas like transport, nuclear energy.

Among European countries present were Belgium, Luxembourg and Monaco.

The major absentees from the conference which will go on to Wednesday are Algeria, Vietnam and Switzerland. Algeria declined to be present at what it considered an event that smacked of colonialism. The French-speaking countries include some 300 people

Editorial disputes put financial daily's future in doubt

BY OUR PARIS CORRESPONDENT

THE FUTURE of La Tribune de l'Economie, France's recently founded financial economic daily newspaper, was thrown into doubt yesterday when about a quarter of the editorial staff sought to resign following a conflict with the management.

La Tribune was founded just over a year ago by the Bertex group, which owns La Vie Francaise, with the aim of challenging the domination of international business coverage

by the English-language press. But almost from the start it has been beset by quarrels between Mr Bruno Bertex, the group's head, and the editorial staff over the content and running of the newspaper.

The crisis came to a head yesterday when the 40 journalists voted with one abstention to strike today unless the management compensates those wanting to leave.

About 10 journalists are

believed to want to leave immediately in the wake of the recent resignation of Mr Philippe Labarde, the editor-in-chief. Mr Labarde succeeded Mr Jean-Michel Quatrepoint, a former industrial correspondent on Le Monde, who resigned last year after a conflict with Mr Bertex. Journalists can leave a newspaper with substantial compensation under a professional "freedom of conscience" law if there has been a change

of ownership or of editorial content. The journalists are invoking the latter.

Among the charges they levelled at the management yesterday was that of attempting to influence the coverage of companies quoted on the Stock Exchange. Journalists at the newspaper said yesterday that they had been asked to refrain from mentioning some companies while treating others favourably.

They also complained of the curtailment in pages, the non-replacement of staff, the reduction in editorial expenses and the refusal of the management to divulge the editorial budget for this year.

La Tribune is believed to have lost FF10m (£970,000) last year but this would have included special items such as launch costs and the switch from evening to morning publication.

Capital spending forecast to continue at high rate

BY PAUL CHERRINGTON IN BRUSSELS

INDUSTRIALISTS IN the European Community will keep up a high rate of capital investment this year, but not quite match the rate of last year.

Surveys of company intentions, undertaken by the European Commission last year, yesterday show that the rate of increase this year should be 7 per cent compared with 10 per cent last year when the final outcome fell in precisely with the intentions expressed 12 months earlier.

The latest assessments underline the growing momentum of investment since 1984. But there was a sharp decline from normal investment spending between 1981 and 1983. And this gives rise to a warning from the Commission.

(Investment) needs to continue for several years to grow as buoyantly as in the period 1984-85 if there is to be any appreciable reduction in unemployment," the Commission said.

The numbers of employed in Community industry have been falling for 10 years. This process has now been checked, but only in Denmark, West Germany, Luxembourg and the Netherlands are industrial com-

panies taking on more people. This may now spread because, although the evidence is not definitive, there is an increasing tendency to invest in new capacity rather than in the rationalisation of existing capacity.

New investment is most buoyant in mechanical and electrical engineering and motor vehicle construction. Here the rise in nominal terms this year should be 15 per cent, the same level as in 1983.

In the metal industries, following a particularly sharp rise in investment last year, the pace is slowing. Sections catering directly to consumer demand are expected to increase spending this year by 8 per cent against 11 per cent last year. But this could change in the face of the emerging rise in consumer spending.

On a national basis, growth is expected to be less spectacular this year than last in the Netherlands and Denmark. West Germany, Italy and Britain are expected to have an overall investment figure close to the Community average. The most marked increases are expected in Belgium, Luxembourg, Ireland and Greece.

Czechoslovakia to step up pace of economic reform

BY PATRICK BLUM IN PRAGUE

CZECHOSLOVAKIA IS to intensify economic reforms to improve efficiency and management in moves that closely mirror efforts by Mr Mikhail Gorbachev, the Soviet leader, to modernise the Soviet economy.

President Gustav Husak told Communist Party members meeting in Prague at the weekend that Czechoslovakia was paying special attention to Soviet attempts to improve management.

"What we are striving for is not mechanical copying but a creative use of the Soviet experiences," he said. Czechoslovak officials have tended to view with suspicion the reforming zeal of some of their Comecon partners. They resist using the term reform when describing their own endeavours, describing them instead as measures to improve efficiency.

The pressure for reform is increasing, however. Another speaker at the meeting argued that it would be better in some cases to close down a factory

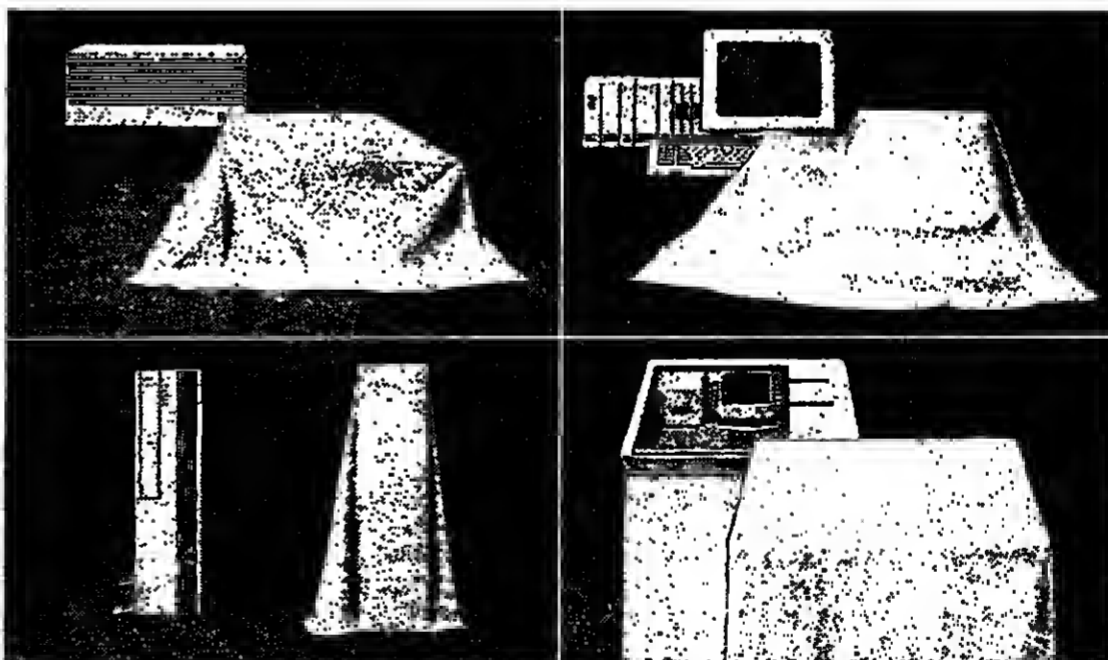
and send its workers home on full pay than bear the costs of ineffective production.

Czechoslovakia announced economic reforms in the early 1980s but changes have been modest. The impetus provided by the new Soviet leadership appears to have encouraged a bolder approach.

Mr Jaroslav Krob, chief manager at the state bank, said yesterday that the process of change will be intensified and that the bank would play an important role in promoting greater productivity.

The bank will encourage output and exports by adopting a tighter policy on credits and access to foreign currency. "We want to use credit as a means to increase effectiveness and for restructuring," he said. Other measures will aim to make prices more flexible by aligning them more closely to world market prices and to increase price differentials and incentives to return for higher productivity.

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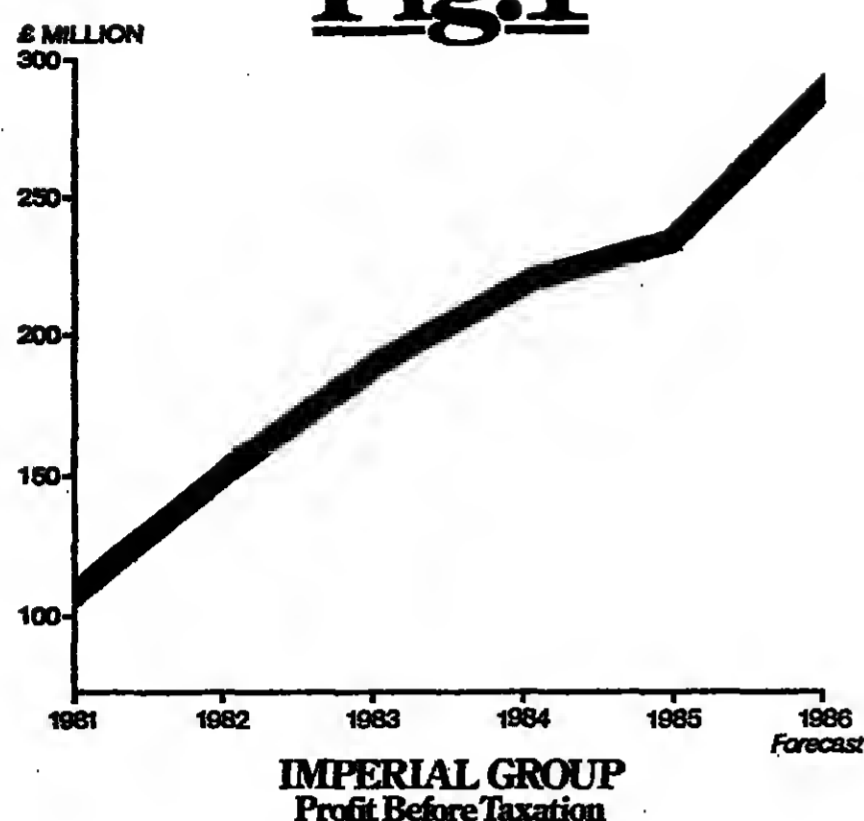
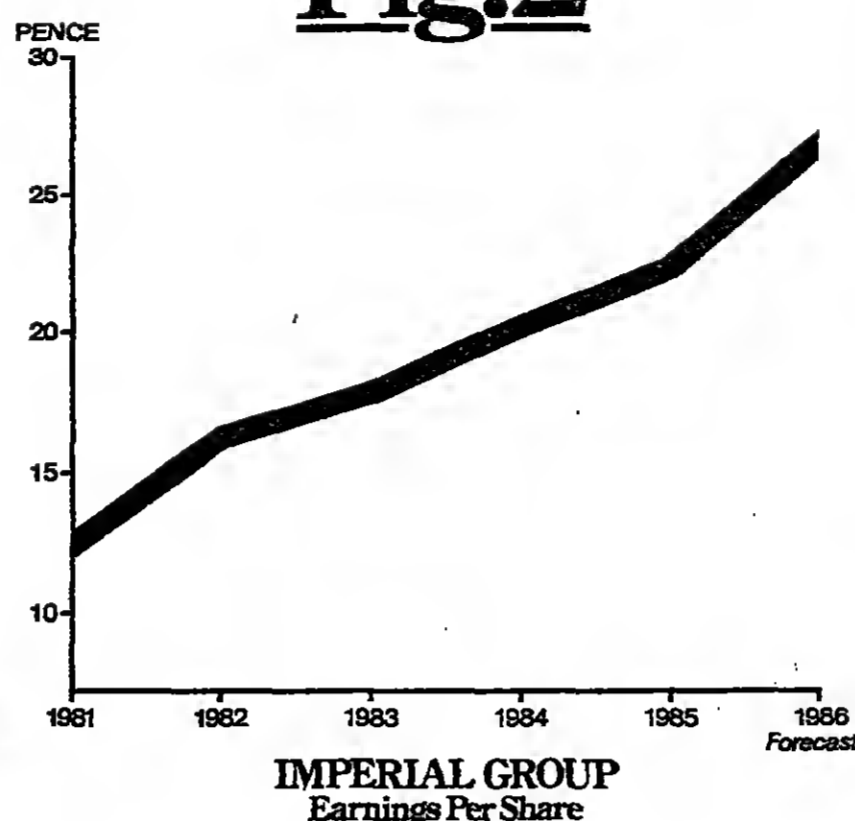
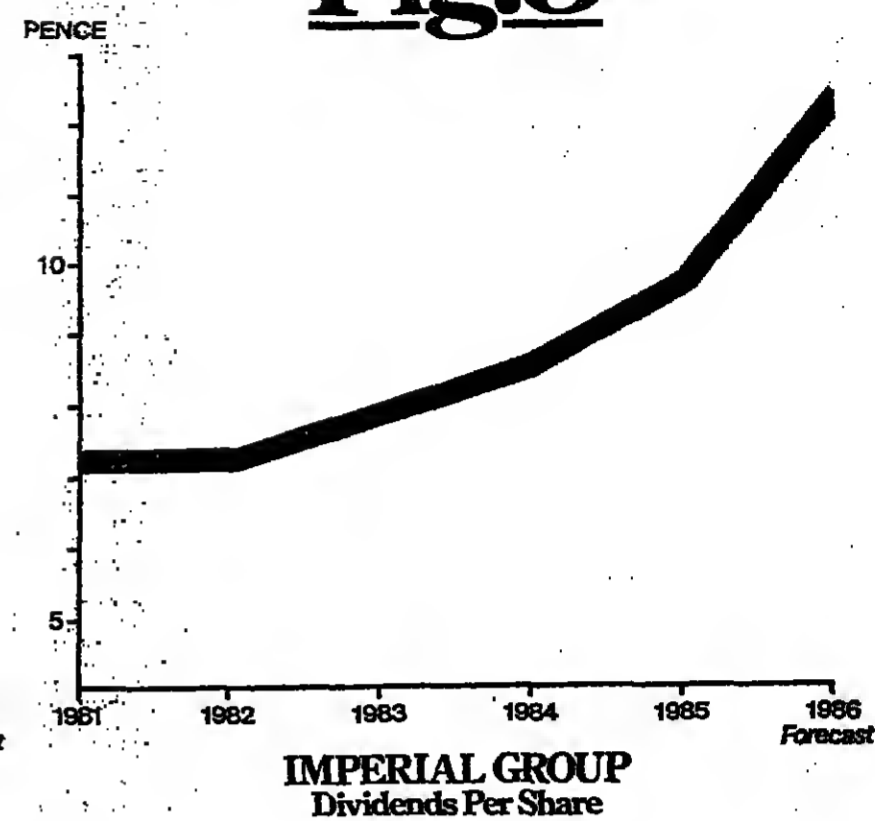
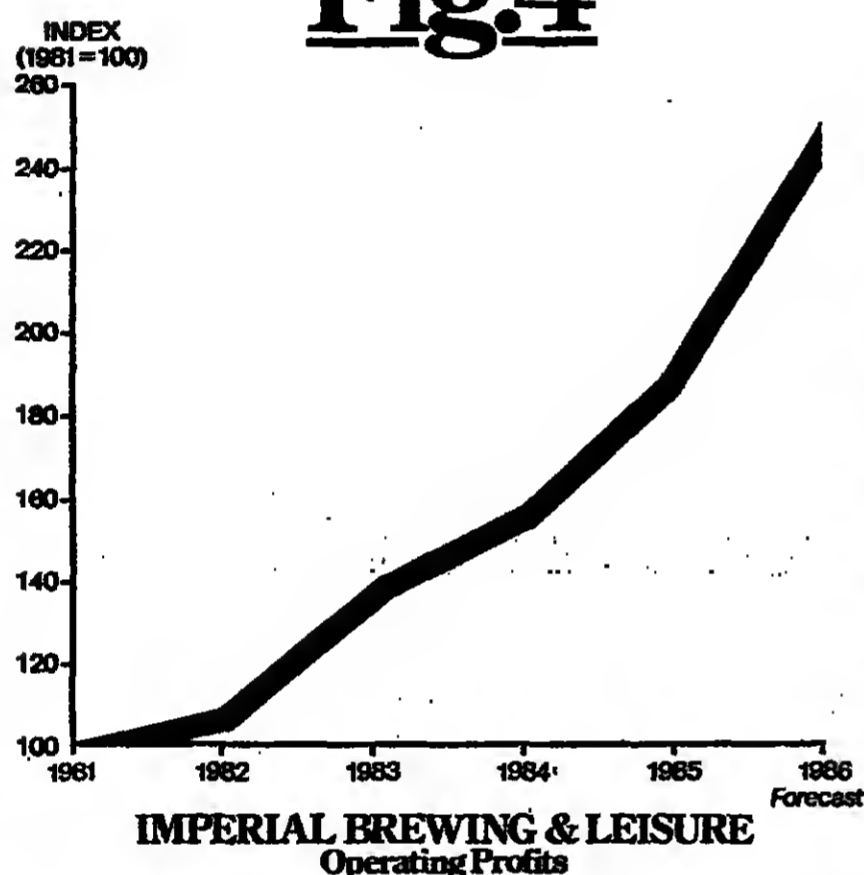
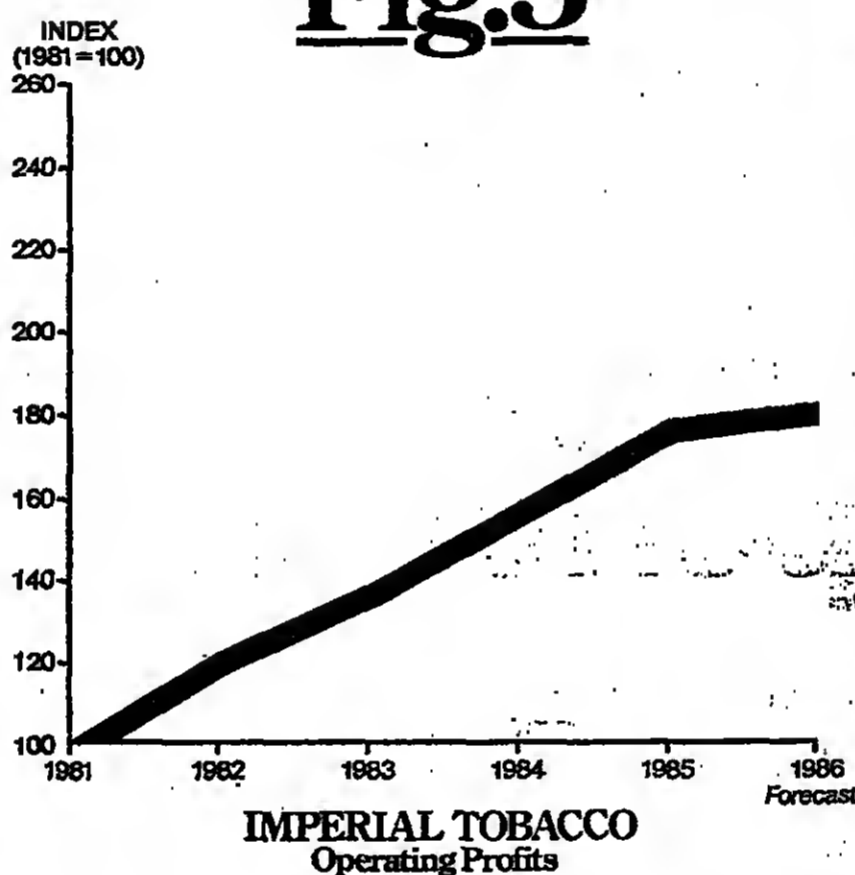
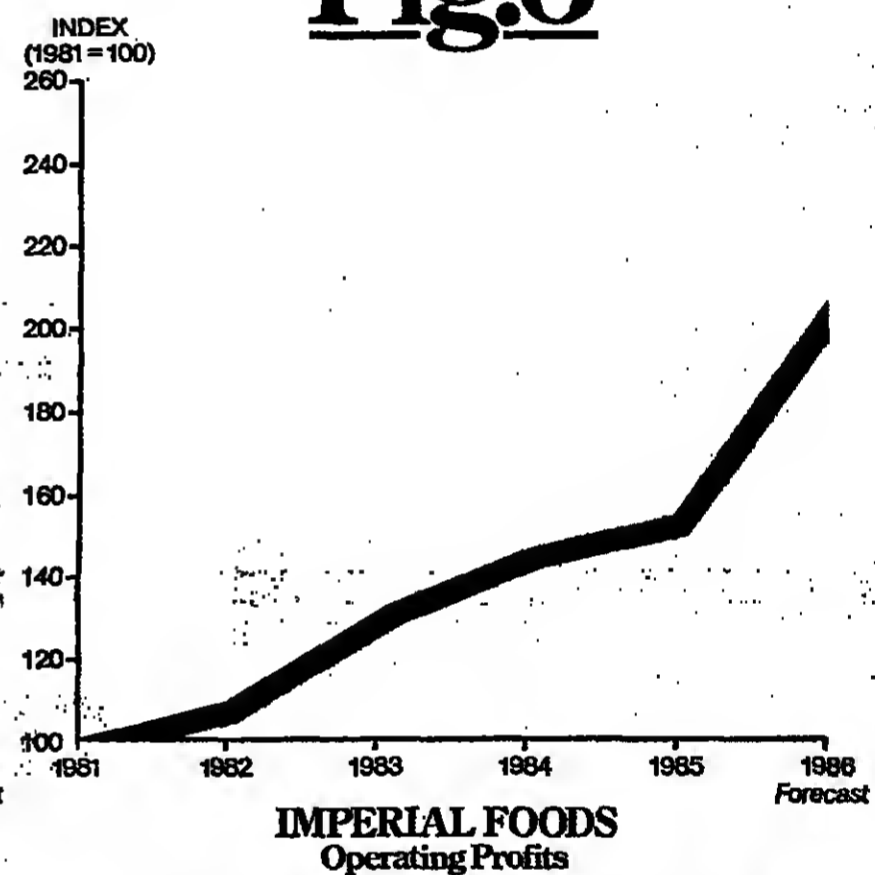
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OVERSEAS NEWS

Israel launches operation beyond security zone

BY ANDREW WHITLEY IN TEL AVIV

TWO Israeli armoured columns backed by helicopter gunships advanced north of Israel's self-proclaimed security zone in South Lebanon yesterday in a search-and-destroy operation, following the kidnap of at least two Israelis by Lebanese guerrillas.

Beirut radio reported that three Israelis had been killed in the operation, but this was denied by an Israeli military spokesman in Tel Aviv.

The Israeli columns are believed to be searching villages around Deir Amr and Sul-taniyah, about 10 miles north of the border, within the zone controlled by the Irish peace-keeping force.

But a UN spokesman last night denied reports from Lebanon that the Irish troops had fired on the advancing columns. "There has been no confrontation with the UN forces," said Mr. Timor Gohsel.

In a separate incident there were exchanges of fire between Irish troops serving with the UN Truce Supervision Force (UNTSF) and units of the South Lebanon Army (SLA), the Israeli-backed Christian militia.

S. African miners issue strike threat

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S National Union of Mineworkers (NUM) which claims to represent 250,000 black miners, plans strike action later this year if the various mining houses offer differing amounts during pay negotiations, Mr. Cyril Ramaphosa, the union's secretary-general, told a press conference yesterday.

He said this decision had been taken at the NUM annual congress last weekend.

Mr. Ramaphosa said the union was determined to negotiate a single wage agreement with the Chamber of Mines, the employers' coordinating body, covering all of the country's gold mines. A separate agreement would cover the collieries.

In 1985 strikes planned at several mines were called off at the eleventh hour when three mining houses broke ranks with the chamber and improved their wage offers.

Mr. Ramaphosa was dismayed that the Minister of Mineral and Energy Affairs had not yet honoured his commitment to introduce legislation abolishing legal colour bars which prevent black workers from occupying supervisory positions.

The Minister said last year that he would introduce appropriate legislation in the 1988 parliamentary session even if the chamber and the white mining unions were unable to agree on a means of removing job reservation.

The NUM intends presenting President P. W. Botha with an ultimatum on the job reservation issue.

Unita confirms US aid pledge

Dr. Jonas Savimbi, leader of the Angolan rebel group, Unita, said he hoped to have US anti-tank and anti-aircraft missiles by April to meet an expected offensive from the Government in Luanda, AP reports from Jamba, Angola.

Dr. Savimbi said he had a "firm commitment" for military aid from the Reagan Administration, but that he was not certain when the aid would arrive and what form it would take. He said no US military advisers would come to Angola.

Dr. Savimbi rejected speculation that Unita was considering the release of Cuban prisoners as part of a possible agreement to free Mr. Nelson Mandela, leader of the African National Congress, or South African Captain Wynand de Wit.

Sudan signs debt deal with Japan

JAPAN and Sudan have signed an agreement to reschedule Sudan's \$80m debt due in 1983, the official Sudan news agency said, AP reports from Khartoum.

Sudan said the agreement was part of a plan for rescheduling drawn up by the Paris Club, which agreed in principle last May to reschedule an estimated \$20m of Sudan's debt.

The agreement, signed by a senior Sudanese finance ministry official and Japan's ambassador to Khartoum, stipulates repayment at a semi-annual rate of 20 instalments over a period of 16 years, and an 8.5 per cent interest rate. A grace period of six years will be allowed, Sudan said.

An agreement for the repayment of Sudan's debt due to Japan in 1984 is expected to be signed soon.

S. Korean police arrest 100 opposition members

BY STEPHEN A. BUTLER IN SEOUL

SOUTH KOREAN police yesterday arrested at least 100 Government opponents in a continued crackdown against opposition efforts to launch a signature campaign to revise the constitution.

The crackdown marks a collapse in dialogue between the Government and the opposition, and there is little immediate hope for normalisation. The opposition yesterday vowed once again to continue with the signature campaign despite the Government's use of overwhelming police force to prevent it.

The campaign to revise the constitution has yet to be launched outside a small circle of opposition leaders, although a nationwide organisation has been gradually pieced together in recent months.

The constitutional amendment to allow for a direct election

of the president is believed to be broadly favoured by the Korean electorate.

Mr. Kim Young-Sam, an opposition leader, was again placed under house arrest for 10 hours yesterday. The confinement prevented him from attending a morning rally outside the headquarters of the Council for the Promotion of Democracy (CPD), an organisation that he heads with Mr. Kim Dae-Jung.

Mr. Kim Dae-Jung, Korea's best-known dissident, has remained under house arrest since last Wednesday.

About 200 people last week signed petitions calling for constitutional amendments. The Government has said the campaign is a disguised attempt to undermine social order and has said it would take legal action against all involved.

Kathy Evans in Kuwait reports on the implications for the Gulf of the flare-up with Iraq

Cunning but risky Iranian offensive gains momentum

IRAN'S eight-day-old offensive in the Gulf war has sent shock waves through the Gulf region and dented the image of invincibility Iraqi defences had won along the length of the front line.

The attack, originally characterised by Tehran as "a warning to Iraq" is now assuming all the proportions of a major offensive, far larger than the annual operations which have become customary around religious and revolutionary occasions.

Day by day it is gaining momentum, militarily and politically, as the fighting nears Kuwait and reports come in of a second major attack poised to move through the Huwazhah marshes.

After a year of little more than skirmishes on the front, Iran was forced to launch a major attack to restore credibility back home, diplomats believe. Endless rhetoric about the war and the need for sacrifices from the people rang hollow when fighting was kept at such a low level.

There was also increasing criticism from militants in the regime about the new pragmatic style in Iranian foreign policy which has recently been so obvious towards the Gulf states. Iran's oil situation only added fuel to their arguments.

Recently Iran announced that it was cutting oil production in order to tighten the oil market.

But diplomats believe it was not market considerations which accounted for the 50 per

cent cut in exports, but Iraq's successful attacks on the oil pumping terminal at Ganavah. With oil accounting for 95 per cent of its budget revenues, Iran's economy must now be facing its most severe crisis since the start of the Gulf war more than five years ago.

The strategy Iran chose for the "Dawn Eight" offensive was cunning but risky. The southern option, to try to cut Basra off from the south,

taking advantage of the weakest point in Iraqi defences, favoured Iran's human wave tactics, for the soft and muddy terrain is unsuitable for Iraqi artillery reinforcements.

Iraq always tries to avoid using infantry for fear of high casualties, which might prove unacceptable to its smaller population and armed forces. Moreover, the Fao route offered the Iranians an easier path to Umm Qasr, the Iraqi naval base.

The Iranians are already claiming to have locked up the remnants of the Iraqi navy in Umm Qasr and say they are shelling Safwan, the Iraqi town bordering Kuwait. Safwan has been frequently used as a conduit for military equipment for the Iraqis.

But the southern option was risky, for there was a danger of Iranian forces being hemmed in. Iran, with its superior air force and missiles, says it has already surrounded the Iranian positions, and it is only a question of time before they are finally "annihilated".

The Iranians, however, appear to have successfully maintained their supply routes, despite heavy bombing by the Iraqis.

The southern option through Fao using the Khor Abdullah waterway has put the Iranians within sight of Kuwaiti territory. Kuwait has responded by putting its army on high alert, but as its forces number only 12,000, its defences are largely diplomatic and based on a position of neutrality.

A senior Kuwaiti official



Tehran against the Gulf states, in particular Kuwait and Saudi Arabia.

Kuwait and the Gulf states have reacted to the growing closeness of the fighting by launching a diplomatic offensive. A debate was held in the United Nations Security Council—whichever as usual, will be held in the absence of the Iranian delegate.

Syria, too, has been enlisted to help persuade Iran to end the conflict, but the prospect of a major change of heart from Damascus about its alliance with Iran, seems doubtful at present. The prospect clearly worries Tehran, however, for the Iranians have dispatched senior officials to Libya and Algeria, their other allies in the region. At times, Iranian and Arab Ministers have been arriving in the same cities within hours of each other.

Kuwait, in the meantime, is remarkably relaxed considering the size of the armies locked in mortal combat yards away from the shore. There are no signs of panic and no apparent flight of people or money.

The continuation of calm will rely heavily however, on Iraq's air force and its ability to winkle the Iranian troops out of Fao quickly. If the fighting drags on much longer, or spreads from the peninsular westwards to the land border area of Kuwait and Iraq, then calm could change to fear very rapidly.

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As the Minister of Employment should well know, recent employment losses have been far higher in the Docklands than in London or in the U.K. as a whole.

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The development will directly create 49,000 new jobs in the area; 21,000 of those will be for local residents. And there will be another 8000 jobs created elsewhere in the country. A grand total of 57,000.

These will all be new jobs.

And they should reduce the registered unemployment in Tower Hamlets, Southwark and Newham by 15,000.

There will be 7000 construction jobs directly created during the first 7 years. And 5000 after that.

Good news for Nigel Lawson

The Exchequer would gain £341 million to its annual flow of net income from increased income tax and National Insurance revenue (£223m) and reduced spending on benefits (£118m).

And the jobs that will result from the construction activity will produce net gains to the Exchequer of between £55 and £90 million a year.

Those are the main findings of The Henley Centre Report.

No doubt the more cynical among you may feel we've left out some facts that didn't suit our case.

Not true.

But don't take our word for it. Please write to us and we'll send you a complete copy of the Final Report.

CANARY WHARF

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AMERICAN NEWS

Reagan initiative on exchange rates encourages Third World

BY STEWART FLEMING IN WASHINGTON

EVIDENCE that the US is moving cautiously towards endorsing initiatives designed to stabilise international exchange rates is being well received by developing countries who have been pressing for monetary reform.

"This is definitely a very welcome development, something we have been saying quite forcefully," said Dr Arjun K. Sengupta, chairman of the working group of the group of 24 developing countries (G24). "It is necessary to have a review of the current exchange rate system in order to get greater stability of exchange rate movements."

President Ronald Reagan said last month in his State of the Union address that he would ask Mr James Baker, Treasury Secretary, to examine the possibility of convening an international monetary conference.

G24 published a report, 'Function and Improvements to the International Monetary System', last August. This urged that consideration ought to be given to the adoption of target zones for the exchange rates of major currencies; improved policy co-ordination among the industrial countries; exchange market

intervention; and a mechanism "to trigger consultations whenever the indicators available suggest excessive short-term movements or misalignments of major currencies."

The G24 is expected to hold further talks on these issues early next month prior to the interim committee meeting of the International Monetary Fund in April at which the issue of monetary reform is scheduled for debate.

Dr Sengupta stressed that any reform should be structured in a way which encourages growth in developing countries. It was important to developing countries that a mechanism be established which triggers talks about monetary and fiscal policies. "Co-ordination is important to prevent (currency) fluctuations but also to create conditions favourable to growth in the world economy," he said.

While the US budget deficit needed to be reduced, if other industrial economies did not expand then "you would achieve a so called stability at the expense of growth in the world economy."

A senior Treasury official said that Mr Reagan's instruction to Mr Baker was designed "to

recognise that this issue is an important national domestic political issue... because we have protectionist forces which are going to return and which need to be assured that we understand that this is a major problem" and because of legislation on Capitol Hill calling for changes in US policies towards the international monetary system.

The official stressed that the US had an open mind about what changes are needed. "It's not problems. We think the problems need to be looked at (including) the question of an international monetary conference." The President's statement did not say whether there should be such a conference, where it should be, who should attend or what the agenda should be or even when it should be, he said.

"We will make no major move or any sort of action that would undermine or short circuit the process that is well set in place and agreed by all to be the next stage of the debate, the interim committee meeting in April..."

That is a world forum, a fully representative world forum," he stressed.

UK stands firm on Falklands sovereignty

By Robert Maudmer, Diplomatic Correspondent

BRITAIN'S refusal to discuss sovereignty over the Falklands Islands remains as firm as ever in spite of the offer by Mr Tim Eggar, a junior Foreign Office Minister, to meet a visiting delegation of four Argentine parliamentarians, the Foreign Office said yesterday.

The parliamentarians are the guests in London of the South Atlantic Council, a group composed of MPs from all parties, academics and diplomats, the aim of which is to improve relations between the two countries. They are expected to have talks with Mr Eggar on Friday.

Tomorrow they will meet Mr Alastair Cameron, the Falkland Islands' representative in London.

The decision to make contact with the first Argentine parliamentarians to visit Britain since the Falklands conflict in 1982, the Foreign Office said that it was consistent with Britain's policy of seeking to improve bilateral relations with Argentina.

However, it did not indicate any fundamental change in the British Government's policy which was that the people of the Falklands should be free to choose their own government.

London's view is that an improvement in relations can only take place through practical measures which will lead to the restoration of normal trade, economic contacts and communications between Britain and Argentina as well as the Falkland Islands and Argentina.

Haiti schools told to re-open

HAITI'S schools were due to reopen yesterday in a sign of returning normality after dictator Jean-Claude "Baby Doc" Duvalier fled the country 10 days ago after a popular revolt against him.

Reuter reports from Port-au-Prince.

The six-member ruling council led by Lt-Gen Henri Namphy ordered all the country's schools to reopen. Mr Duvalier closed the schools five weeks ago in a bid to quell student protests.

BLAME MAY FALL ON SPACE AGENCY DECISION MAKERS

Nasa fights to salvage reputation

BY NANCY DUNNE IN WASHINGTON

OFFICIALS of the commission appointed by President Reagan to investigate the space shuttle Challenger explosion will take their turn answering questions today as they describe the progress and form of their investigation before a Senate sub-committee.

The hearing follows a week of revelations, which have led observers to conclude that blame for the January 28 tragedy will ultimately fall as much on decision-makers at the National Aeronautics and Space Administration as on failure of shuttle technology.

Over the week-end, the commission ordered the removal of key Nasa shuttle managers from the investigation of the disaster.

Mr William Graham, acting

administrator of Nasa, dismissed Mr Philip Culbertson, a much-respected veteran, from his job as general manager of the agency, claiming "a too-tired senior management structure was proving too cumbersome and slow in the new environment."

Administration officials are reportedly considering the appointment of Mr James Fletcher, a former Nasa administrator, as permanent Nasa chief. Mr James Beggs, the current head, is on leave to fight fraud charges not connected with the space agency.

White House officials are speaking of the need to have an experienced Nasa leader as the demoralised agency strives to salvage its reputation.

Increasingly, the commission has seemed to centre its investigation on the solid fuel booster rockets, the O-rings sealing the joints in the boosters and the decision—which the commission has already said "may have been flawed"—to go-ahead with the flight in temperatures 13 degrees below those of any previous launch.

Documents released by Nasa have demonstrated long-standing concern by lower-echelon personnel about the strength of the booster equipment.

In 1983 Nasa ordered structural changes in the shuttle to allow lifting heavier payloads at lower prices. The changes, thinner casings on the boosters and more powerful booster engines, put greater stress on

the joints between the segments of the booster rockets.

The agency approved the changes despite of year-long concern that the O-rings were not working as designed.

In fact, Morton Thiokol, the company which makes the boosters, last year produced 43 design alternatives. But Nasa had not decided which way to proceed by January 28.

Nasa engineers yesterday were processing photographs of rocket wreckage taken by a small manned submarine crew on the floor of the Atlantic.

The debris is thought to be part of the right-hand rocket booster and may contain a more definitive answer about what went wrong aboard the Challenger.

Mary Frings reports on a businessman with an unusual style

Churchillian spirit spotted in Texas

MRS NANCY REAGAN will lead the applause at a 1,500-guest banquet in Dallas tonight, when Prince Charles presents the Winston Churchill Award to a small unassuming Texan with crewcut hair and a French-sounding name.

Mr H. Ross Perot is said to be the richest man in Dallas-Fort Worth. A former IBM computer salesman, he founded Electronic Data Systems (EDS), with an idea his company would not consider and \$1,000 of his own savings. When General Motors acquired EDS as an independent operating subsidiary in October 1984, it paid \$2.55bn and took Mr Perot onto the board as a director.

The main purpose of the Winston Churchill Foundation in the US is to encourage Anglo-American co-operation by sending outstanding researchers and scientists to Churchill College, Cambridge. Since 1959 it has selected over 200 winners, eight of whom went on to win Nobel prizes.

Occasionally it gives awards to honour "those who epitomise the bold spirit of the former British Prime Minister." Only two have been made before, to Mr Averell Harriman, best known as administrator of America's wartime Lend-lease programme, and to Mrs Margaret Thatcher for her strong



Mr Perot... Iranian mission

leadership.

The Foundation's third choice fell on the Texan during the state's sesquicentennial year celebrations which Prince Charles has been invited to attend. Mr Perot expressed both surprise and pleasure to find himself in the company of statesmen: "I'm a kind of Cinderella. I didn't expect to be invited to this party but I'm here and I'm going to enjoy it."

Mr Perot is more than a successful businessman: he has a penchant for taking direct action and getting personally involved. He championed the cause of US prisoners of war in

Vietnam and chartered two Boeing 707s in an abortive attempt to send them medical supplies and Christmas dinners.

When two of his employees were held hostage in an Iranian jail, he slipped into Iran himself to assure them that a private rescue mission was under way—an adventure which thriller writer Ken Follett turned into a 1983 best-seller, *On Wings of Eagles*.

In Texas, successive state governors chose him to spearhead the war on drugs and the reform of the educational system.

A sign at the door of Mr Perot's office reads: "Every good and excellent thing stands moment by moment on a razor's edge of danger, and must be fought for." That is the philosophy that in the systems design and management field has enabled EDS to go into competition with a giant like IBM and win.

Mr Perot speaks of his "young EDSers" with pride, critics say he wants to own them body and soul, and much has been written about the disciplined, performance-oriented corporate culture which many of the 7,000 GM data processors who were transferred to EDS found very hard to take.

Their dissatisfaction was understandable, since they were offered a less secure benefits

package and the EDS system seemed to be the tail wagging the dog. Mr Perot says GM was to blame for not giving full explanations beforehand—but the 800 or so employees who opted for early retirement probably would not have fitted in at EDS anyway.

Although staff numbers have grown from 15,000 to 40,000 since the GM merger, Mr Perot is determined that creativity and efficiency should not be compromised. "If an EDSer sees a snake he kills it. In your typical big corporation a report goes to management and a consultative committee is called in. Two years later someone decides snakes have rights too."

Protocol does not exist at EDS. Mr Perot stands in line for his lunch at the company cafeteria, and an employee meeting him in the corridor is liable to say: "Look, Ross, this needs to be changed and I think..."

He says ideas often come from "people so young they have no right to have ideas of that quality"—but they have to argue them out and "no one can send me a memo."

Mr Perot applies the same principle to his political thinking. "The nature of a free society is turbulence, because everyone has his view and expresses it. Leaders have to be strong enough to develop a consensus."

Caribbean seeks US aid boost

BY CANUTE JAMES IN KINGSTON

LEADERS of eight English-speaking Caribbean islands who are meeting President Ronald Reagan in Grenada on Thursday are to ask for increased aid and an improvement to a US trade programme for the region.

Caribbean government officials say privately, however, that they do not expect Mr Reagan to meet the request.

The President is making a four-hour visit to the 344 sq km island. In addition to meeting the Caribbean leaders, with whom he will discuss regional economic and security matters, he will unveil a monument to honour US soldiers killed in the invasion in 1983 which toppled a military junta which had taken power after killing Mr Maurice Bishop, the island's Socialist Prime Minister.

The officials say the Caribbean request for more aid will be supported by references to the poor performances of the traditional crops of the island's economies. Sugar, bananas,

bauxite and oil have been affected by low production and weak markets, they say.

The Caribbean argument will also be based on Washington's concern for political stability in a region which it considers important to its geopolitical interests.

"There is general agreement among the countries concerned that an important point must be made to the President," said a St Lucian Government official. "It is that US concern for security in this part of the world can be eased only if our economies are reasonably healthy."

US Government sources agree Mr Reagan is unlikely to comply with the request. They point to the need for the Administration to meet budget deficit targets of the Gramm-Rudman act, and say US official aid of about \$1.1bn (£785m) to Central America and the Caribbean in 1985 will be reduced by about 20 per cent in the 1986

fiscal year.

The Caribbean leaders are slightly more optimistic about a planned request to the President for an improvement to the Reagan Administration's trade scheme for the region. The Caribbean Basin Initiative (CBI).

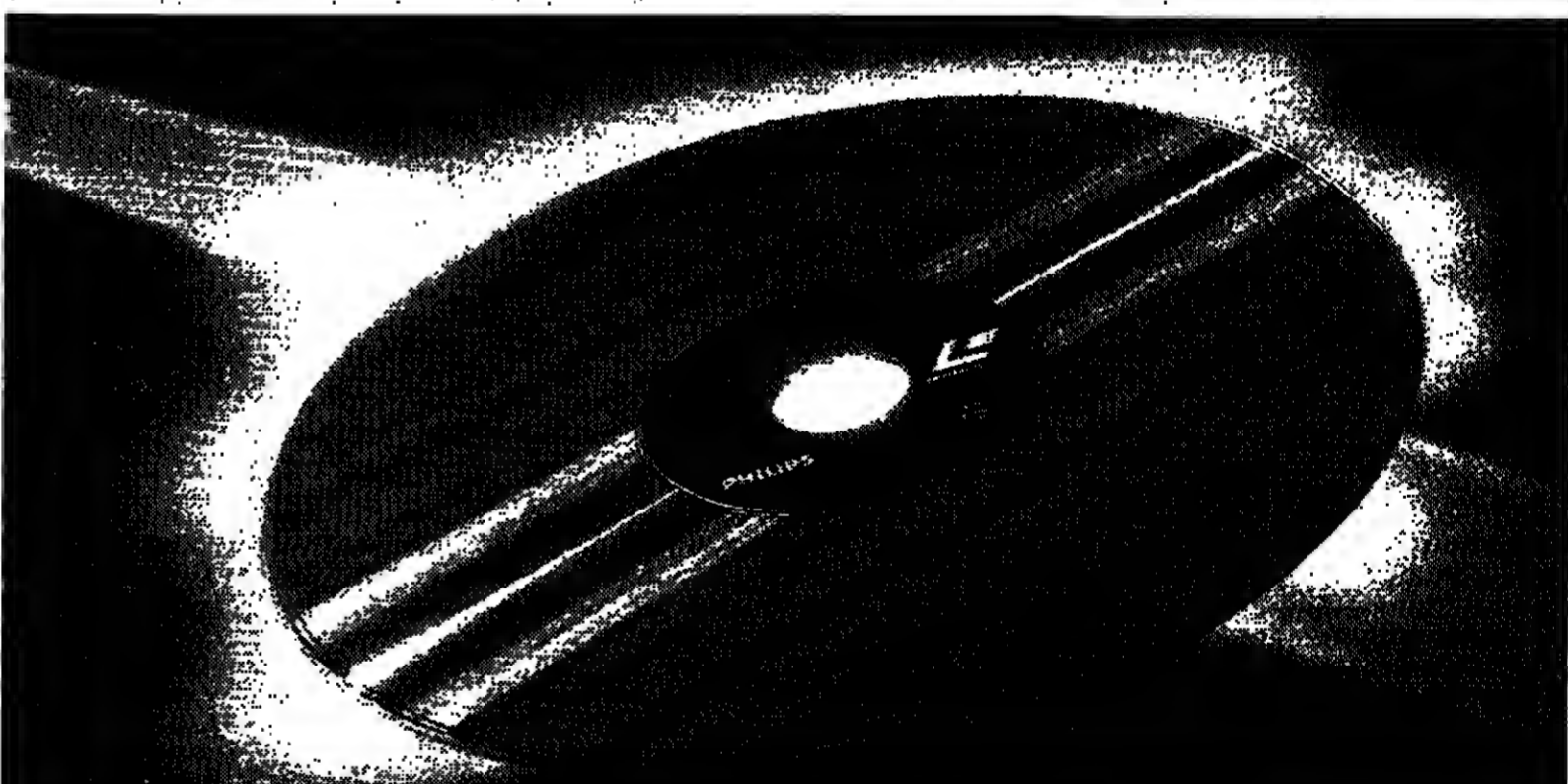
The CBI is a 12-year trade programme, which began in 1984 and allows countries designated by Washington to ship a range of goods duty-free to the US.

While welcoming the programme, the Caribbean has repeatedly expressed disappointment that it omits what are considered important products from preferential treatment.

Caribbean trade officials say they believe Mr Reagan may try to answer the region's requests by relaxing rules on government shipments of garments which are assembled in Caribbean countries from parts shipped from the US and then re-exported.

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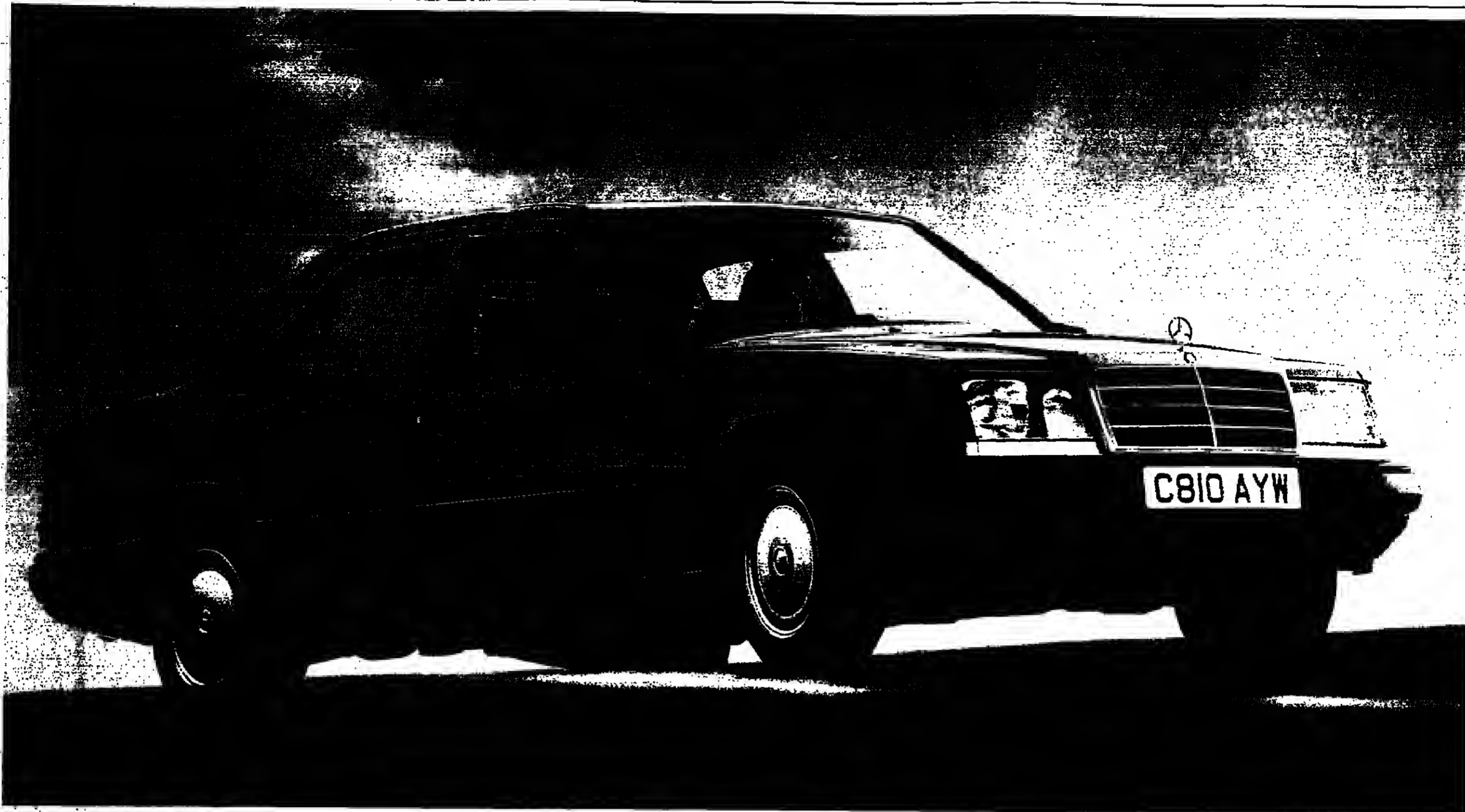
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The Mercedes-Benz 200-300E series represents a totally new generation of medium-sized cars.

New from the ground up and from numberplate to numberplate. Yet the cars are still classically Mercedes-Benz.

In achieving this, we have re-defined the standards for cars of this size. Rewritten the ride-versus-handling equation.

And revived the pleasure of motoring.

Engineered to be effortless.

In the new 200-300E series, the driver can feel instantly at ease with his machine.

The engines only whisper their presence, the progressive power-assisted steering transmits a precise feel of the road. The dynamic handling characteristics inspire confidence at all times.

And with six engine options, you can choose precisely the right power for your needs, from brisk to distinctly sporty.

Model	Engine size (cc)	Cylinders	Transmission (standard)	Horsepower (DIN)	Top speed (mph)	0-100 kph (0-62 mph)	Price (£)
Petrol 200	1997	4	5-speed manual	109	116	12.6 secs	12500
230E	2299	4	5-speed manual	136	126	10.4 secs	13665
260E	2599	6	4-speed auto	166	133	9.5 secs	16170
300E	2962	6	4-speed auto	188	139	8.2 secs	17840
Diesel 250D	2497	5	5-speed manual	90	109	16.2 secs	13790
300D	2999	6	5-speed manual	109	118	13.7 secs	15600

Each one delivers its power in a relaxed, leisurely manner. For instance, at 70mph the 230E engine is turning over at under 2500 rpm.

There are useful reserves of power built in, too. The 300E will comfortably reach 139mph.

Naturally, with this power and performance, handling and suspension have to be exceptional.

Not surprisingly the 200-300E series probably has the most highly-developed steel suspension system on any saloon car in the world. This gives the driver the confidence to take fast bends in a relaxed manner, without ruffling his passengers.

And when you need to cut the performance and come to a standstill, the massive 4-wheel dual circuit disc brakes will see to it that you come speedily to a halt in a most undramatic manner.

Engineered to be safe.

The 200-300E series is yet another celebration of Mercedes-Benz' dedication to safety.

The passenger compartment has been made even more resistant to lateral impacts and roll-over accidents.

The front seat belts have unique electronic tensioners which work instantly in the event of a severe head-on impact, to give maximum restraint.

In order to maintain the clearest possible view of the road ahead in heavy rain, Mercedes-Benz have taken a whole new look at the windscreen wiper. Their new eccentric-sweep version cleans an unprecedented 86% of the screen.

And, with optional ABS anti-lock braking, no combination of road surface or weather conditions will prevent you from retaining

total steering control during an emergency stop—because each wheel will give maximum braking power without skidding.

Engineered to be economical.

Science and engineering have joined forces to produce engines for the 200-300E series that have greater performance than before, with far greater economy.

Critically balanced crankshafts, reduced masses and lower friction losses combine to extract the maximum drop of power from the minimum drop of fuel.

Add to this the aerodynamically sculptured bodies, using weight saving materials, and you'll begin to see why the average* fuel consumption figures for the new 200-300E series are at least 17% better than the figures for the comparable previous models.

The new 200-300E series offers the driver the perfect balance between everything he seeks in a car. The driving experience is smooth and effortless, yet the dynamics of the new suspension and power units encourage sporty driving.

In true Mercedes-Benz style, the 200-300E is made to be enjoyed, and admired, for a long time to come.

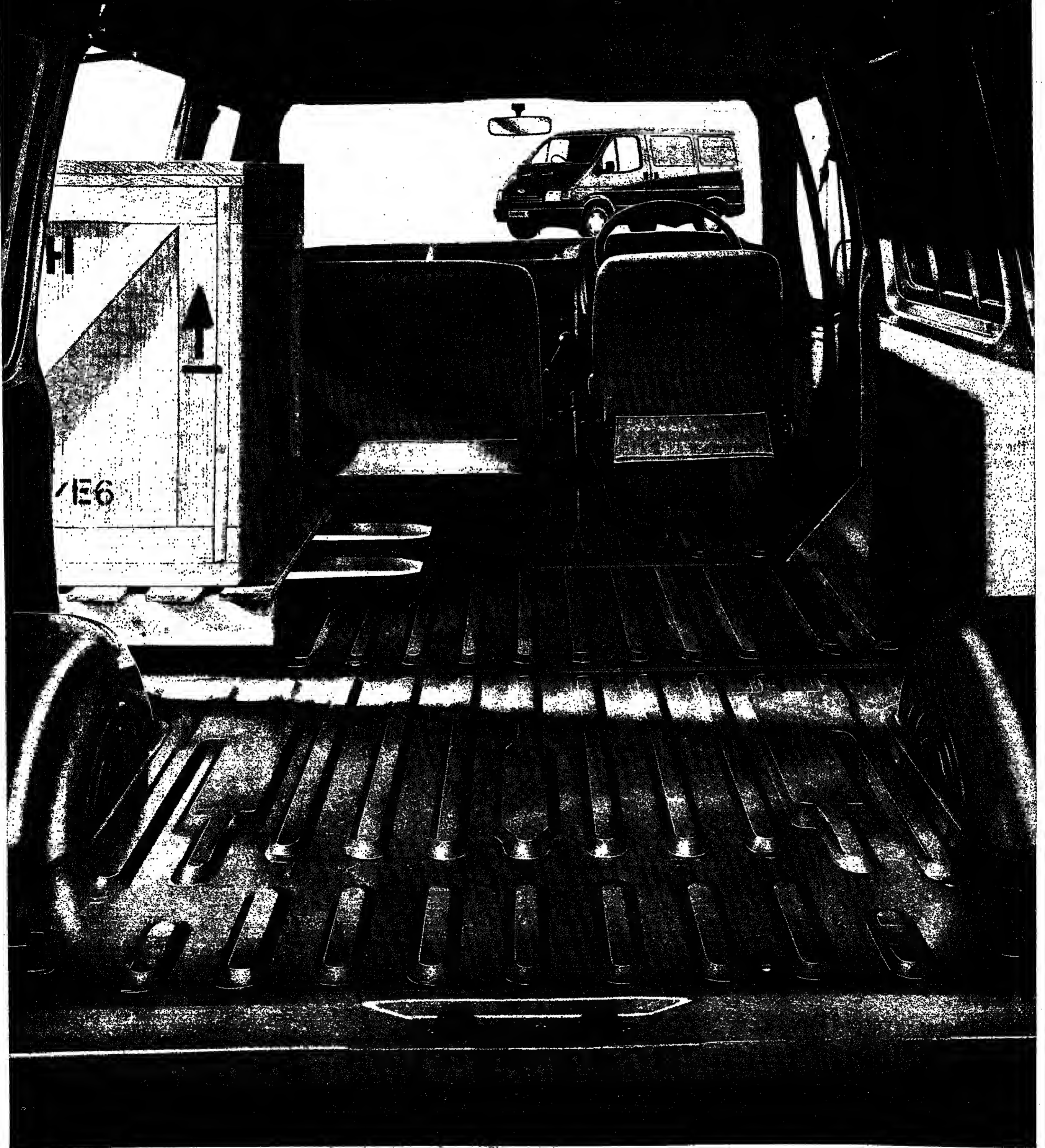


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Engineered like no other car in the world.

Official Fuel Consumption Figures - mpg (l/100km).
200 5-speed manual: Urban 25.1 (11.2), 56mph 46.1 (6.3), 75mph 36.7 (7.7). 230E 5-speed manual: Urban 25.4 (11.1), 56mph 45.8 (6.2), 75mph 36.8 (7.7). 260E 4-speed automatic: Urban 23.3 (12.1), 56mph 34.4 (8.2), 75mph 28.5 (6.9). 300E 4-speed automatic: Urban 22.8 (12.4), 56mph 34.0 (8.3), 75mph 28.2 (10.0). 2500 5-speed manual: Urban 21.6 (8.9), 56mph 52.1 (5.4), 75mph 40.3 (7.0). 3000 5-speed manual: Urban 29.9 (9.5), 56mph 52.5 (5.4), 75mph 40.6 (7.0).
*Average based on one third each of Urban/56/75 mph fuel consumption figures.

THE NEW FORD TRANSIT TAKES LOADSPACE INTO ANOTHER DIMENSION.



WHAT began 20 years ago as Ford's entry into the medium commercial vehicle arena, has evolved into one of the most outstanding motoring success stories of the century.

Now, the next chapter has begun.

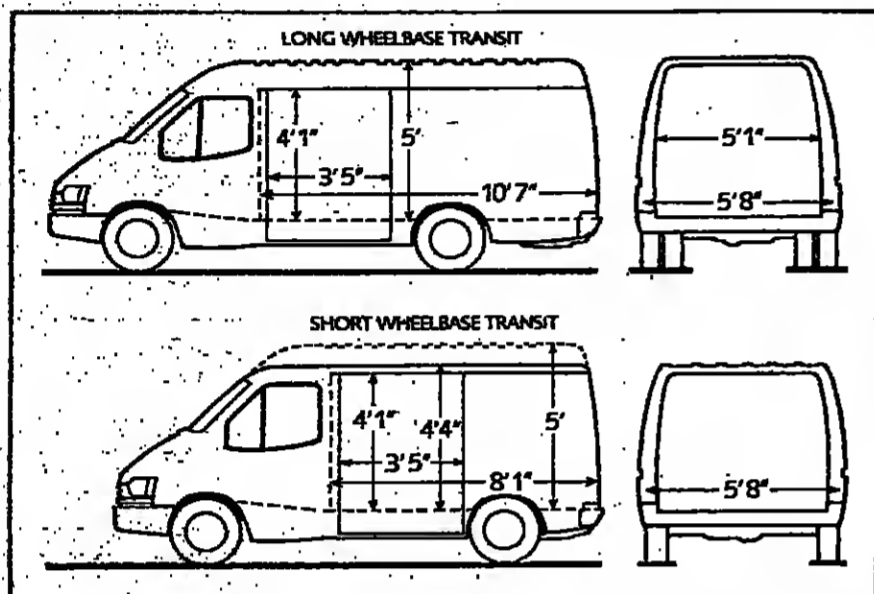
The new Ford Transit not only gives you significantly more loadspace, it also gives you far better load access.

TAKING LOADSPACE INTO ANOTHER DIMENSION.

The new Transit once again features the classic Ford design concept.

The cab, engine and loadspace are each located in separate compartments, so that no one element interferes with the others.

The end result is a vehicle with a cavernous interior.



The new long wheelbase Transit has a semi-high roof and provides 297 cu. ft. of loadspace – a 13.5% improvement.

Short wheelbase models offer 11% more room than before with 202 cu. ft. And a major new feature on the short wheelbase is the option of a semi-high roof giving an overall loadspace improvement of 22%.

But not only is there more loadspace, more of it can now be used thanks to the squared-off interior of the new Transit. Payloads are easily among the best in their respective classes too.

EASIER TO LOAD.

Having created more loadspace, Ford set about the task of improving access.

The rear doors were extended by up to 9" and the rear loading width increased by up to 5½". It's given the Transit a wider opening at the back than any other van in its class.

Totally new to the Transit is the low-effort, sliding side-door. It allows you to easily load a metre-wide pallet with room to spare.

The side-door is standard on all L trim models and optional on Popular and Standard models. A built-in step has also been included in the new design, making walk-in loading possible.

KEEPING YOUR OPTIONS OPEN.

Needless to say the new Transit is an extremely versatile vehicle.

It's available in van, chassis cab, bus and crewbus models with 7 payload options and 3 wheelbases.

All models have rear wheel drive and retain the same powertrain that has already proved itself such an outstanding success.

UNBEATABLE FORD BACK-UP.

There are over a thousand Ford dealers across the country and each one is backed by Ford's computerised parts delivery service. They're all part of a back-up network that is, quite simply, second-to-none.

Test drive the new Transit and you'll soon discover that it's a vehicle that pushes all the limits further. It's a vehicle that takes loadspace into another dimension.

In the success story that's Ford Transit the next chapter has begun.



THE NEW FORD TRANSIT.

UK NEWS

Slowdown in retail sales growth, but shoppers spend more

BY GEORGE GRAHAM

BRITAIN'S RETAILERS are seeing slower growth in their sales volume, according to the latest joint Confederation of British Industry/FT survey of the distributive trades, published today. Shoppers are still spending more than in the same month a year ago, however.

The survey follows the announcement by the Department of Trade and Industry yesterday that retail sales in January had fallen by 1.1 per cent from the previous month. Retailers were too optimistic at the end of December about the outlook for sales in January, the survey finds, and they expect a slight further slowing of sales in February.

In the total distribution industry, including retailers, wholesalers and motor traders, 61 per cent of the 600 companies surveyed said sales volume in January was higher than a year earlier, compared with 14 per cent who said volume was lower – a balance of 47 per cent.

A balance of 43 per cent expected sales in February to be higher than a year ago, while a balance of 27 per cent expected sales volume to be good for the time of year.

In the retailing sector, sales volumes grew a little more slowly in January. A balance of 46 per cent of the 309 companies surveyed reported better sales last month than a year earlier, slightly less than in the previous month.

Clothing shops reported the largest increases in sales and grocers continued to report good trade. The only sectors where sales were lower than a year ago were confectionery, tobacco and newspaper (CTN) shops and chemists.

For February, a balance of 43 per cent of retailers expect sales volumes above the February 1985 level. Only CTN shops anticipate decreased sales.

Retailers continued to slow the rate at which they place orders with their suppliers. The balance reporting increased orders fell to 24 per cent, the lowest since June last year. The slowdown in orders may be related to increasing stocks, the CBI says. The balance of retailers reporting excessive stocks rose again in January to 23 per cent.

Wholesalers' sales volumes slowed in January after a good December. The balance of the 232 wholesalers in the survey reporting sales higher than a year ago fell from 61 per cent in December to 52 per cent in January.

Builders' merchants and wholesalers of "other goods" reported good increases in sales compared with a year ago, but sales of durable household goods and agricultural machinery were lower.

Builders' merchants sales have recovered from the low levels that they fell to after the imposition of value-added tax (VAT) on building repairs in July 1984.

In February, a balance of expectations of plus 48 per cent suggests further growth in sales for wholesalers overall, although at a slightly slower pace than in January.

The volume of orders placed with wholesalers' suppliers in January did not rise as much as had been expected in December. The balance of wholesalers placing increased orders fell to 33 per cent from a relatively high 51 per cent in December. In February, a balance of 34 per cent of the respondents expects to place more orders than a year ago.

Wholesalers' stocks fell sharply. A balance of 2 per cent of wholesalers reported stocks were too low in relation to expected sales in January, compared with a balance of 10 per cent reporting stocks too high in December.

New models give British truck production a large boost

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

PRODUCTION of BL's commercial vehicles increased by nearly 25 per cent last year, boosted by a string of new models.

Strong performances by Ford, the leading commercial vehicle producer in the UK, and General Motors-Bedford, also contributed to the improvement in output from the depressed 1984 level, when production dropped to the lowest point for 35 years.

Among state-owned BL's subsidiaries, Austin Rover recovered last year from the steep downturn in its light van production in 1984 when the Iial van was phased out.

Last year Austin Rover introduced the Maestro van and this lifted its sales by nearly 30 per cent over 1984.

Land Rover (excluding Range Rover vehicles which count as cars) also recovered well last year and output was up by more than 21 per cent.

The medium and heavy BL van company, Freight Rover, launched the wide-bodied versions of its Sherpa van and that contributed to a sales increase of more than 12 per cent last year compared with 1984.

Leyland, BL's truck and bus business, benefited from having available for a full year its Roadrunner, a 7.5-tonne, high-volume, medium truck, and saw output rise by nearly 29 per cent.

A new GM-Bedford van was also launched – the Bedford Midi, based

UK COMMERCIAL VEHICLE PRODUCTION

	1984	1985
Austin Rover	18,039	28,028
Land Rover	25,804	31,046
Freight Rover	16,845	16,579
Leyland Truck and Bus	12,032	15,461
Total BL	72,720	90,114
Ford	94,211	101,407
General Motors-Bedford	47,007	60,783
RAF	1,876	1,880
Foden	708	472
Heastair Dennis	978	870
Metro-Gammell-Waymouth	484	436
Renault Truck Ltd (Dodge)	4,770	5,022
Seddon Atkinson	1,845	1,887
Others	617	233
Total	224,825	263,263

Source: SMMT Monthly Statistical Review

on a Japanese design – which helped to boost its commercial vehicle output by over 29 per cent.

Ford did well to increase commercial vehicle production at all last year because it slowed down the lines at its Southampton factory to replace the old Transit van, Britain's best-selling commercial, with a new version.

Figures soon to be published in the Society of Motor Manufacturers and Traders' Monthly Statistical Review confirm that total UK commercial vehicle production last year increased by 17 per cent from the severely depressed levels of 1984.

Smaller UK-based producers last year had mixed fortunes. While the Dunstable facilities of Renault, the state-owned French group, produced more than 5 per cent more Dodge and Renault commercial vehicles than in 1984, and ERF's output rose by nearly 4 per cent, Foden's production was down by a third.

The company, owned by Pecarr of the US, says this was because it refused to become embroiled in the worst excesses of the price war in Britain.

Links blind Land Rover, Page 12

Court plea on sherry trade mark

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AN ENGLISH subsidiary of the appropriated Spanish Rumasa Group yesterday asked the High Court to order that trade marks for Dry Sack sherry be returned to the group's control.

Williams and Humbert alleged that the trade marks had been wrongly transferred from it to a Channel Islands company controlled by Rumasa's founder and former head, Mr José María Ruiz-Mateos.

The hearing is expected to last

at least a week, although Williams and Humbert's claim is unopposed.

Earlier this month the court heard that Mr Ruiz-Mateos, who is under house arrest in Spain awaiting trial on charges arising out of Rumasa's conduct prior to its expropriation in 1983, had withdrawn from the case.

Williams and Humbert alleged that in 1976 there was a secret agreement under which the Dry

Sack trade marks, valued worldwide at about £25m, were transferred by Mr Ruiz-Mateos to W & H Trade Marks (Jersey), a company controlled by Mr Ruiz-Mateos, his four brothers and their sister.

It was alleged that the transfer was in anticipation of possible expropriation of the 300 companies in the Rumasa group by the Spanish Government, and with a view to the Mateos family retaining control of the trade marks.

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AIR CALL

UK NEWS

Labour renews claim for legal safeguards on investor protection

BY NICK BUNKER

LABOUR MPs are to renew their attempts to win a measure of legal immunity for the self-regulatory organisations (SROs), which are to conduct routine investor protection when the Financial Services Bill becomes law.

There is concern among Opposition MPs, and SROs including the Stock Exchange and the National Association of Security Dealers and Investment Managers (Nasdim), that the SROs could be severely handicapped by lawsuits, such as libel actions, brought by businesses which they tried to discipline.

The issue has become more urgent after the defeat in the House of Commons last week during the bill's committee stage of a Labour amendment that would have freed the SROs from any liability for damages claimed by their members.

Mr Bryan Gould, Labour's trade spokesman, said yesterday that he would try again to change the bill. If necessary, Labour peers would table a further amendment during its passage through the House of Lords.

Nasdim, the stock exchange and the Association of Futures Brokers and Dealers (AFBD) each intend to make clear to the Government their view that they need legal immunity similar to that which the bill gives to the Securities and Investments Board (SIB) and its officers.

As the bill stands, the SIB will not be liable to any claims for damages arising from actions taken in good faith while exercising its delegated powers to regulate the financial community. Mr Michael Howard, the Corporate and Consumer Affairs Minister, is refusing to give this privilege to SROs largely on the constitutional grounds that statutory immunity should be granted only very rarely to private bodies.

The stock exchange, whose decisions have traditionally been subject to judicial review, voiced fears last night that under the new system of investor protection litigation might increase, adding to the need for a measure of immunity.

There is likely to be some debate among SROs, however, about how far any immunity should extend.

Marconi to take part in SDI contract

By Peter Marsh

MARCONI PROJECTS, part of the GEC group, is to take part in the US Strategic Defence Initiative (SDI) under a sub-contracting arrangement with Ford Aerospace and Communications, a large US defence contractor. The work could be worth about \$100,000 in the first year, possibly increasing later.

Under the agreement Marconi Projects will work on the computer and communications aspects of a defensive system to shield the West from a nuclear strike.

The company will be particularly concerned with the problems faced by Western Europe in spotting and destroying, perhaps with devices such as laser guns, short-range missiles fired from land or submarines.

Marconi Projects will join forces with Ford on two SDI contracts, awarded by the US Air Force and US Army and worth a total of \$10m, on which the US concern is already working.

Mr Ian Sutherland, managing director of Marconi Projects, said yesterday it was too early to say exactly what the work would involve.

BL'S REASONS for opposing the idea of splitting Land Rover from the state-owned group's other vehicle operations and selling it separately – an idea first mooted by Mrs Margaret Thatcher, the Prime Minister, in the late 1970s – have been emerging recently.

Mr David Andrews, the BL executive director responsible for the Land Rover-Leyland commercial vehicle operations, told the House of Commons all-party trade and industry select committee that Land Rover UK was strongly linked with other parts of BL.

He pointed out, for example, that Freight Rover, the Sherpa van business which is part of the Land Rover company, buys engines and axles from Austin Rover.

The vans, Land Rover and Range Rover vehicles, are sold through the same franchise in networks overseas. "These are very important linkages," Mr Andrews said.

He said there were also exchanges of technical know-how between Land Rover and the car and truck businesses within BL about materials and some components. "Very great care would have to be taken to protect these linkages if Land Rover was sold."

Mr Ray Horrocks, the BL executive director responsible for the car operations, said: "There is an interlocking, mutually and interdependently, of the two operations."

Kenneth Gooding looks at the links between Land Rover and BL's other operations – links which the company sees as an important reason for opposing any move to split Land Rover from the group.

very important customer for Austin Rover (the volume car subsidiary). "It is not a matter of a simple movement of an apparently separate business out of BL. There would have to be a number of significant changes within BL before it could be done," he said.

Those remarks were made about six months ago. Since then BL has come very close to completing a deal to sell Land Rover and Leyland Trucks to General Motors (GM) of the US, so it seems sure that BL has prepared for those "significant changes" Mr Horrocks mentioned.

At first sight the links are stronger between Austin Rover and the Land Rover company than between Land Rover and Leyland Trucks.

In some important, far-flung markets, Leyland trucks and Land Rover four-wheel-drive vehicles are sold through the same distributors and sometimes assembled in the same factory – as happens in one of the most important export territories, Nigeria.

However, the two operations share no components. On the other hand, apart from the components

petrol engine that powers the Rover SD1 saloon car.

That engine will not be used in the new Rover 800, developed jointly by Austin Rover and Honda of Japan, and which will replace the SD1 Rover.

So there must be a question about whether it would be worthwhile to produce it in very small volumes for Land Rover alone.

Land Rover was also due to share the diesel version of the Austin Rover "V" series engine developed in co-operation with Perkins, the UK diesel engine maker.

Another link with a sister BL company was severed recently when Land Rover set up its own spare parts distribution operation – business previously handled by Unipart.

There are about 1m Land Rover and Range Rover vehicles working worldwide. Mr Tony Glynn, Land Rover's managing director, said the spare parts operations were taken in-house to show just how seriously his company considered them.

In the 18 months since the change, spare parts revenue increased substantially as Land Rover's sales grew from the

Land Rover is a highly integrated manufacturer, producing most of its own engines, transmissions and axles, as well as bodies from panels pressed at the Freight Rover factory at Common Lane, near Solihull, west Midlands, where there is room to spare.

It buys a few transmissions from ZF in West Germany and from an associate in Spain, Land Rover Santana – the Santana units are made to a Land Rover design.

Some observers question whether Land Rover's output – nearly 61,000 in the peak in 1980 but down to under 45,000 last year – could generate enough revenue for the company to be able to stand alone in the long term. They say the company would need a "big brother" to see it through when investment demands reach a peak.

There is another school of thought, however, which believes that Land Rover, with an annual turnover of more than £400m, is capable of standing on its own feet. The Land Rover directors, who once hoped for a management buy-out when it seemed that GM would not want their company, obviously come into that category.

Mr Peter Dupont, of stockbrokers Phillips & Drew, said: "Land Rover has come through four difficult years – but that is not unusual in UK manufacturing industry. I can't see why the company could not be viable over the long haul, and it should be capable of making £20m to £30m pre-tax profit a year at least."

He said Land Rover was only just about to tap the lucrative US market with the Range Rover, and that still left South America to be exploited.

The potential deal with GM also has its supporters, however. Mr Paul Burgess of Birmingham stockbrokers Albert E. Sharp, said: "The industrial logic of Land Rover going to GM is impeccable – and it would probably be very good news for the West Midlands as long as there are the right guarantees about component sourcing."

Mr Burgess suggested that while Lomho, another suitor for Land Rover, could offer help with distribution in Africa and the Middle East, these were areas where Land Rover was already strong.

GM, on the other hand, could offer a worldwide distribution network and tremendous potential in North America, not only through private buyers but also via US military orders.

"GM would bring in so many orders that it would blow the doors off the Solihull factory," Mr Burgess said.

Dublin seeks halt to N-plant discharges

BY HUGH CARNEGIE IN DUBLIN

THE IRISH Government, increasingly anxious about operations at Sellafield nuclear waste disposal plant in Cumbria, north-west England, is to urge Britain to halt all discharges from the plant and is seeking action by the European Community to ensure safety standards.

There has long been strong concern in both the Republic and Northern Ireland about possible effects on the Irish east coast of radioactive emissions into the atmosphere and discharges into the Irish Sea from Sellafield.

Mr Dick Spring, Deputy Prime Minister and Energy Minister, is to lead a special Cabinet discussion of the issue today in the light of the most recent developments, including the disclosure by British Nuclear Fuels at the weekend that radioactive leaks from the plant in 1964-65 were 40 times greater than had been admitted earlier.

Mr Eddie Collins, junior minister at the Department of Energy in Dublin, said in a statement on Sunday night that following the latest disclosures and three incidents at the plant in the past month, he intended to press "for the total end to discharges from Sellafield."

He intended to meet Mr Stanley Clinton-Davis, European Commissioner for the Environment and Nuclear Safety, to urge the early establishment of a European inspection force to oversee Sellafield and similar plants.

Irish officials met British Energy

Department officials in London last Friday to express Dublin's concern about Sellafield and meetings at a more senior level are now likely.

Although there is no firm evidence available of harmful effects in Ireland from Sellafield, the Government is investigating levels of leukaemia and other diseases. There have been allegations based on local reports of abnormally high levels of Down's Syndrome in some east coast areas.

David Fishlock writes: Each month's delay in a decision on the Sellafield B nuclear inquiry is costing the electricity industry £3.4m, the Government has said in answer to questions raised in the House of Lords last month.

Lord Gray, Minister of State at the Scottish Office, says this estimate is made up of costs of £1.9m to the Central Electricity Generating Board (CEGB) and the National Nuclear Corporation, and a further £1.5m in delay claims expected from the CEGB's contractors.

The Sellafield B inquiry, which lasted for 28 months, was into CEGB plans to build Britain's first big pressurised water reactor at Sizewell, Suffolk, on the east coast of England. When the inquiry ended last March the CEGB expected the report to be ready by early autumn.

Mr Peter Walker, Energy Secretary, who ordered the inquiry, said last November that Sir Frank Layfield, the inquiry inspector, would not be ready to report before this spring.

BT cuts car telephone price by up to £500

BY JASON CRISP

A PRICE WAR for mobile telephones using cellular radio has forced British Telecom to cut its prices by up to £500. That brings the list price of its cheapest car telephone to £289 – the first time it has fallen below £1,000 other than for special offers.

The move is in response to even lower prices by some dealers, who have been selling mobile telephones at prices close to cost – they try to make their money through the percentage they get of the customers' call and connection charges.

BT's prices will still not be the lowest but it finds its dealers, who include independent companies as well as its own local districts, can get a premium of just over 10 per cent on the basis of its name.

An executive in BT's Mobile Phone Division said yesterday: "There is now severe price competition in some areas such as London. Some dealers are asking silly prices. But we have to recognise

that many of the telephones in our range are similar models to theirs."

BT's Mobile Phone Division is the largest retailer of cellular telephones equipment with 12,000 customers out of the 27,000 subscribers to Cell-net, the separate part of BT that provides the network services.

The latest cuts mean that some of BT's prices are significantly below Vodafone, the subsidiary of Racal, which is the largest retailer on its Vodafone network, with about 11,000 customers. The cheapest car telephone on Vodafone is £1,150.

Both Vodafone and BT Mobile Phone Division, however, are asking £2,495 for the Motorola hand portable telephone, which is available for about £2,250 from some of the smaller outlets.

BT's current range of mobile telephones comprises in most cases the same models as sold by its competitors. This year it is to launch six new models, which are mostly exclusive and are less vulnerable to price competition.

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HOW NORSK DATA WROTE A HISTORY WITH A DIFFERENCE

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JAMAICA

UK NEWS

Overseas unions offer support in print dispute

BY PHILIP BASSETT AND DAVID THOMAS

LEADERS OF overseas printing unions travelled to London yesterday to offer support to the British print unions in dispute with Mr Rupert Murdoch's News International (NI) over its new publishing plant at Wapping, in east London.

The switch of NI titles from central London to the high-technology plant at Wapping earlier this month led to the dismissal of about 6,000 print workers.

The overseas delegation was led by Mr Erwin Frielemann, president of the International Graphical Federation, which has 43 print unions in 33 countries with 780,000 members in affiliation. Mr Frielemann is also president of the West German printing union.

Mr Frielemann said that the International Graphical Federation had called on its affiliates to support the British print unions financially and to refuse to handle any work which NI transferred abroad as a result of the dispute.

Mr Denny Sergeant, president of the print union, Sogat '82, also said yesterday that unions in Sweden, Finland and Canada had indicated a willingness in principle to black

newsprint destined for NI in Britain.

Mr Frielemann said the dispute had elements which overseas print unions had never encountered. These included the action by NI of building a greenfield site apparently with the intention of undermining the position of the print unions; the actions of the electricians union some of whose members have been performing work at Wapping traditionally done by print workers and the part in the dispute of the labour law.

NI is considering further legal action against the print unions to try to increase the print run of its largest newspaper, which has been badly hit by industrial action in Manchester. Officials of the company met its legal advisers yesterday to draw up plans for legal action against print union members in Manchester.

The company's four titles - The Times, The Sunday Times, The Sun and News of the World - are being printed at the Wapping plant. In addition, the News of the World is normally printed in Manchester, but industrial action by print union

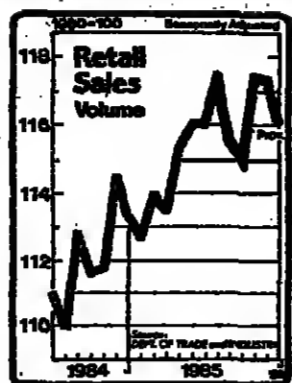
members there has caused the company to lose about 1.5m copies a week of the News of the World.

That is the largest hole in its present circulation, and the company wants to try to close it on order to improve its supply of papers.

However, legal action is unlikely until after the National Graphical Association (NGA) craft print union has completed its ballots for industrial action among members who work on The Times literary and educational supplements.

Mr Tony Dobkins, NGA general secretary, repeated his confidence both that the ballots would produce majorities for industrial action, and that if they did, the action would be within the law and meet the specific points raised by the High Court last week when the union was fined £25,000 for contempt.

Leaders of the NGA and the general print union Sogat '82 last night met at the Trades Union Congress (TUC) headquarters in London to consider joint strategy in the face of the mounting legal action arising from the dispute.



Peak January sales for retail trade

BRITAIN'S retailers had the highest January sales on record last month, despite a sharper-than-expected drop in sales volume from pre-Christmas levels.

The Department of Trade and Industry (DTI) said yesterday that retail sales in January fell by 1.1 per cent from the previous month, but stood 2.3 per cent higher than in January 1985. The seasonally adjusted index of retail sales is provisionally estimated at 118.0 for January, compared with 113.4 a year earlier.

Retail sales volume in the three months November to January was 1 per cent higher than in the preceding three months, and 3.5 per cent higher than in the same period a year earlier. The value of retail sales in January is provisionally estimated to have been 7 per cent higher than in January 1985, the DTI said.

In the City of London, brokers said the figures were not cause for concern about UK economic prospects, although they were much lower than had been forecast.

The Government is counting on consumer spending as a mainstay of economic growth this year. Mr Nigel Lawson, Chancellor of the Exchequer, forecast in his Autumn Statement in November an increase of 4 per cent in consumer spending in 1986.

Spending slows, Page 11

SIR NICHOLAS HENDERSON, chairman of the victorious English Channel link consortium the Channel Tunnel Group, is to stand down in favour of Lord Pennock, a former deputy chairman of ICI and chairman of BICC. Sir Nicholas took the job of chairman last February on the understanding that he would stay only long enough to win the contract.

A CODE OF ethics for civil servants was ruled out as impractical in the House of Commons by the Civil Service Minister, Richard Luce, who said existing guidelines were adequate to deal with questions of conscience faced by civil servants in their dealings with ministers.

TRIANG TOYS, which was the subject of several government-backed rescues in the 1970s is to sever its connection with Merthyr Tydfil, South Wales, after more than 20 years. Any further trading will take place in Manchester, the company said.

AUSTIN ROVER'S Mini will set a car production record this week when the five-millionth model rolls off the production line at the Longbridge works in Birmingham.

CEMENT PLANTS in Britain were almost all brought to a standstill by a one-day strike over a pay claim, according to the unions which represent the industry's 4,300 process workers.

PLANS to develop a 10m sq ft (929,000 sq m) office centre at Canary Wharf in London's Docklands will create 57,000 permanent jobs, according to the Henley Centre for forecasting.

47 Electrical and Electronic companies, 2 Freight Forwarding agencies, 6 Printers and Publishers, 3 Haulage companies, 10 Computer companies, 22 Business and Secretarial services, 4 Packers, 2 Robotic Engineering companies, 25 Mechanical Engineering works, 15 Precision Engineering groups...and a man who makes printed circuit boards.*



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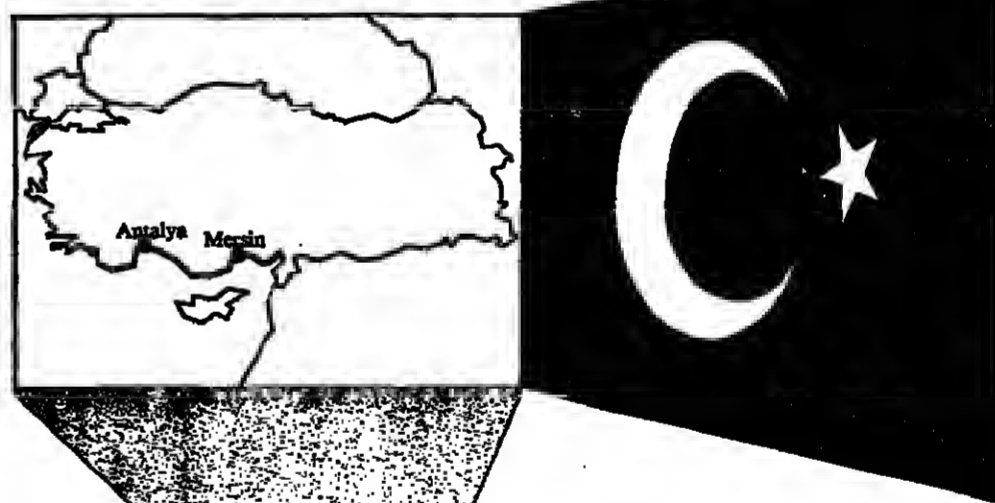
above are but a small proportion of those enjoying all the benefits of a continual association with Glenrothes Development Corporation.

*With support from Glenrothes Development Corporation Michael Conway has set up his own company: C.B. Circuits, to produce printed circuit boards.

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Oil link-up by Bechtel and Laing

By Dominic Lawson

BECHTEL, the US engineering group, and Britain's John Laing Construction have set up a joint UK company to carry out design and engineering work for oil and gas projects both in the North Sea and overseas.

The move follows pressure from the UK Department of Energy and its offshore watchdog, the Offshore Supplies Office, on US companies involved in North Sea design to transfer their technology to UK offshore contractors.

The new joint venture between Bechtel GB and John Laing, in which Laing will have a 51 per cent equity stake, is likely to be followed by other alliances between US companies with design capability and UK fabrication companies. The UK subsidiary of Brown & Root, one of the world's largest engineering companies is believed to be holding merger talks with a quoted UK construction company.

Mr Alec Buchanan-Smith, UK Energy Minister, has been increasingly concerned at the lack of platform design work for the North Sea being awarded to UK-owned companies. Britain's Department of Energy last year pressured the Shell/Esso partnership to give a big platform design contract to a UK company, rather than to Bechtel.

Acting arm-in-arm with a UK-owned company, Bechtel stands a better chance of winning such North Sea orders. Mr Buchanan-Smith said yesterday that "Bechtel's decision to join with Laing is a significant step, confirming the company's position as a key part of the fabric of the UK's offshore supply industry."

Bechtel conceded yesterday that it would be involved in a transfer of its technology to Laing, but that it was familiar with such arrangements in its activities in countries such as India and Malaysia.

NatWest restructures branch network

BY MICHAEL CASSELL

NATIONAL Westminster Bank is making sweeping changes to its branch network and customer services. The move, designed to counter rising competition in the banking sector, is aimed at raising the quality of service given to its personal and corporate customers.

With 3,200 branches, NatWest represents the UK's biggest banking network. With an existing rationalisation programme, the reorganisation should, by 1990, reduce the number of outlets by around 100. The bank says its plans will have little overall effect on jobs throughout NatWest's domestic operation, which employs 53,000 people.

The move was criticised by the Banking, Insurance and Finance Union and the NatWest Staff Association, the main staff unions, which fear job losses and erosion of career prospects.

NatWest will form out of existing branches more than 100 corporate banking centres in busier commercial areas. These will provide specialist advice direct to larger, corporate customers.

About 2,000 smaller branches throughout the country will be de-

veloped to cater specifically for personal and small business customers. The branches will be grouped together, based around 450 locations throughout the country, and will be linked to a lead branch which will handle larger business accounts and co-ordinate local activities.

NatWest has already tested the linking system between smaller branches and says it has proved that the structure helps local branch staff to devote more time and attention to individual customer needs. About 700 branches which do not fit into the new geographical grouping will continue their existing operations, as will about 500 sub-branches.

As part of the reorganisation, the bank is to appoint two senior executives to take charge of the corporate banking and personal banking operations. The existing NatWest structure of eight regional and 48 area offices is to be replaced by a single layer of about 25 strengthened area offices. The move is intended to streamline the decision making process and put greater emphasis on local customer service.

Railmen offered 4.5%

BY DAVID BRINDLE

BRITISH RAIL yesterday offered its 140,000 railway employees a no-strings pay rise of 4.5 per cent, warning the unions that the industry needed a clean and speedy settlement.

The unions, which had claimed "substantial" increases, were told that BR faced "serious adverse factors" - including the diversion of News International's £10m-a-year newspaper distribution business from rail to road.

Emphasising that it did not wish for "protracted" negotiations, BR said: "It is critical that customer confidence is maintained and that

there is no suggestion of any threat to reliability of service."

The offer came after the National Union of Railwaymen and the train drivers' union, Aslef, decided to press only a monetary claim and to pursue separately demands for a shorter working week and longer annual leave.

The increase would add £3.71 to the £82.60 weekly wage of a railman, the lowest-paid grade, and £3.45 to the £126.85 of a train driver.

BR, which last year reported losses of more than £400m, is expected to hold further talks with the unions. The offer would be paid from April 14.

UK suppliers 'fail Far East challenge'

BY JOHN GRIFFITHS

THE CHAIRMAN of Panther Car, Mr Young C. Kim, said yesterday that most of his 167 UK suppliers would not last five minutes in the Far East. He was speaking at an FT Conference in London on the outlook for the vehicles' after-market.

Panther produces its chassis and bodies in South Korea, uses Ford engines from West Germany and transmissions from France, with assembly taking place in Britain.

Panther wanted more components from inside the UK. Korean suppliers were at a theoretical disadvantage because they wished to assess components rather than just drawings. "It takes time for a sample to go back and forth...yet I can still take delivery in less time than would be involved with a British company just down the road from my UK factory," Mr Kim said. "I have to say that you (the UK) are stuck with 3m unemployed because you have created the situation over many years, with attitudes that do not fit the modern world."

Suppliers in the UK invariably showed "fear and mistrust," wanting cash upfront and proof of Panther's viability. He estimated it would cost three times as much to tool up Panther's new Solo car in the UK as in South Korea. Korean suppliers were prepared to take some of the risks because they were so keen to do business.

Casting the UK banking sector, also, for its conservatism, Mr Kim stressed that joint ventures could be of substantial mutual benefit to the Korean and UK components sectors.

The long-term issues and oppor-

tunities affecting profitability in the after-market were set out by Mr John Worsfold, principal of consultants Booz-Allen and Hamilton.

He identified three big forces bringing change to the industry: technological progress, changing expectations in the marketplace and changes in the internal economics of the industry itself.

The vehicle manufacturers and their franchised outlets "should win hands down," he said. But as with more mundane items like tyres and exhausts, alternative outlets offering repairs in specific areas such as anti-skid brakes could well emerge.

Consumers continued to grow more demanding and they would increasingly judge retail or service outlets on the basis of convenience.

Mr Tom Farmer, chief executive of Kwik-Fit (Tyres and Exhausts) Holdings, the fast-fit parts group, stressed the need for a much stronger orientation towards customer satisfaction. He explained this aspect as being largely responsible for Kwik-Fit's own rapid penetration of areas traditionally regarded as the preserve of garages that required a heavy investment in training.

Mr John Hardwood, senior manager, dealer products, for the Forward Trust finance group, said the key to effective funding lay in the management process. The biggest single reason for problems in the motor dealership sector, for example, lay in failure to understand the full implications of a dealer's business plans.

This year could see a big shake-out in the way in which vehicle re-



placement parts and accessories are sold. Mr Roy Rogers, director of GMSPO, General Motors' UK parts operation, told the conference.

Mr Rogers predicted a virtually stagnant after-market for at least the next five years; one characterised by overcapacity, fragmented distribution and fierce price competition.

"The after-market is tough, and it's going to get a lot tougher," he said. Leading retail groups such as B&Q and Halfords would seek to enter the market or enlarge their share of it.

Professor Gareth Rhys, SMMT professor of Motor Industry Economics, said that during the next decade the degree of collaboration between the Japanese and US motor industries would become so widespread and would exist on so many levels that Europe might wake up one day to find a "critical mass" of links that add up to a de facto fusion of the two industries.

In such a world the European producers "take on the air of smaller, vulnerable producers. If they are to survive they must bury their differences, control their separate aspirations and national pride, and co-operate."

TECHNOLOGY

Data links
outstrip
the US
market

DATA COMMUNICATIONS in the US is growing twice as fast as the rest of the telecommunications market, according to Frost and Sullivan, the US-based market research group.

A new study forecasts that total data communications revenues will reach \$14.5bn in 1986, more than double 1984's figure.

For some time the demand for datacom services has been growing at 25 to 30 per cent a year, and will only slow slightly towards the end of the decade. By 1988, datacom revenues will account for 9.3 per cent of the total telecommunications market, compared with 6.1 per cent now.

Frost and Sullivan identifies several reasons. One is the proliferation of remote data terminals and desktop computers, many needing to talk to central mainframes. As stand-alone computing power increases and prices drop, even more screens and keyboards will come into use.

Towards 1990, the growing availability of integrated service digital networks from the world's telephone companies will allow yet more digital communication.

Data Communications Services in the US, \$1,700, Frost and Sullivan, New York (212 233 1800) and London (01-835 4433).

Richer diet for
Filipino prawns

BY STEPHANIE YANCHINSKI

THE FUTURE for prawn production in the Philippines is looking much brighter, thanks to a high tech chemistry from a British company.

Frippak Feeds, an emerging biotechnology company, has successfully tested a new feedstock which will overcome many of the problems of prawn fish farming.

This kind of fish production is growing rapidly as marine prawn stocks decline, and is a top priority for government support.

These small crustacea are among the most important products in world fish trade, with an export value in 1981 of \$2.5bn. Around 100,000 tonnes are produced by fish farming each year, a fraction of the 1.5m tonnes landed each year.

Ian Hurme, research and development director of Frippak, believes that as natural sources reach their peak, fish farming could fill the gap between supply and demand, which amounts to 100,000 tonnes a year and is growing.

Frippak feeds overcome two persistent problems in fish farming. It consists of minute particles enclosed in a semi-permeable membrane which deliver highly nutritious food without polluting the environment, a

particular problem in the newer, more intensive fish farms.

The Philippine archipelago consists of more than 7,000 islands, and has one of the largest areas of brackish-water fishponds in the world, surpassed only by Indonesia in Asia. These are ideal for raising shellfish, yet the Philippines ranks 15th among world producers.

Shrimp and prawn are important to the Asian diet. The largest variety, the striped tiger prawn is six inches long and is eaten like steak in the West. The Japanese, who import \$1.2bn of shellfish a year, particularly value the taste of Filipino prawns, and Mr Hurme sees new markets opening up in Europe too.

At the moment lack of prawn fry constrains prawn production. In the past, fish farmers used to stock their ponds with wild fry, but today 80 per cent are reared in hatcheries.

However, according to Raoul Concepcion, a leading Filipino businessman investing in fish farming, hatchery production could be increased 1,000 fold by using special feedstuffs.

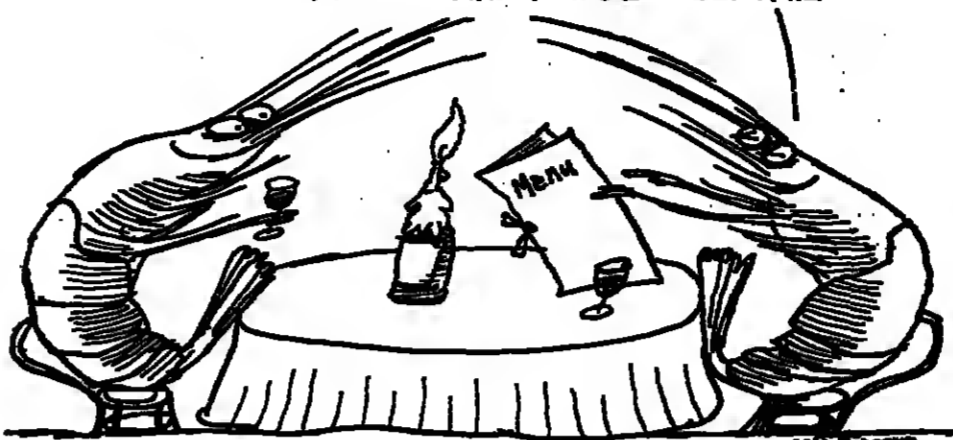
The most used prawn food is a tiny crustacean called artemia which abounds in salt ponds

and lakes. During dry seasons artemia goes into a form of suspended animation called a cyst, which local farmers collect by the lakeside, can, and sell to fish farms. There, they are hatched and fed to prawn larvae.

The problem is that artemia hatches at unpredictable rates, and often carries disease. Its nutritional value varies widely and must be supplemented with manufactured food flakes or pellets combined with an inert non-food binder which the fish do not digest, and which pollutes the hatchery water.

It took Frippak eight years, working with Dr D. Jones of Bangor University, Wales, to solve the problems of how to encapsulate the right amounts

I SUGGEST WE START WITH THE
CHOPPED SQUID, ALGAE, SEAWEED, EGGYOLK,
FISH OIL AND MUSSEL COCKTAIL



of proteins, vitamins, fats and minerals in a membrane which would slowly release nutrients yet not pollute the environment.

The Frippak process is based not on conventional baking or extrusion or cooking, but on a gentle chemical treatment called interfacial polymerisation which involves no heat, and so preserves much of the protein value of the food.

The prawn feedstuff is made from a choice of exotic ingredients, including fish oils, algae, squid and mussels into an emulsion of minute particles ranging from five to 500 millionths of a metre.

Frippak then uses a mild, naturally-occurring food acid to

"play" with the outside layer of the food drop in such a way that proteins on the surface cross-link to form an insoluble membrane.

The resulting particles do not dissolve in water, yet remain digestible by the prawn larvae. The pellets, dried and sterilised, can be stored on the shelf and rehydrated one hour before use.

Frippak's pilot plant is producing a few tonnes a year to satisfy sales while a bigger factory is designed and built. This will eventually supply orders pouring in from countries which include Malaysia, Taiwan, Indonesia, Australia, the Philippines, the US, Sri Lanka, and the UK.

A faster
focusing
camera
from Nikon

NIKON OF Japan aims to break new ground in simplifying photography with the launch soon of a camera featuring what it claims is the most advanced automatic focusing system on any popular 35mm single lens reflex (SLR) camera.

The new model, the F-501, will be the first SLR which can focus automatically on fast-moving and stationary objects with equal ease. It will go on sale worldwide in early summer and will cost £370 in Britain, including a 50mm lens.

Automatic focusing cameras first went on sale less than two years ago and are available from several manufacturers, including Nikon. But buyers have had to choose so far between models dedicated to still life and ones which could only capture fast-moving pictures.

The Nikon F-501 overcomes this limitation by using more sophisticated and powerful microelectronics to enable it to respond rapidly to changing conditions. In particular, it has special lenses equipped with a small four-bit microprocessor as well as the memory chip found in other auto-focus equipment.

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Two centuries
strong and
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1786 - 1986

When the lens is pointed at an object, the image at the centre of it is split in half and projected, on to an array of charge-coupled devices in the camera body. These are special sensors which convert light into electronic impulses.

If the two halves of the image do not match exactly, an electric motor adjusts the lens to bring them into focus. It is controlled by an eight-bit microprocessor in the camera body, as powerful as the "brain" of a home computer, which exchanges information rapidly with the chips in the camera lens.

The Nikon F-501 uses two sets of charged coupled devices instead of the single array found in other cameras. It decides which set to use depending on the focal length of the lens fitted.

Nikon is to offer a full range of lenses with the F-501. Prices have still to be announced but are expected to be higher than for standard Nikon lenses. These can also be used with the camera, although they have to be focused by hand.

ELAINE WILLIAMS

Of holograms, credit
cards and the
human memory

Video & Film

By JOHN CHITTOCK

WHEN PROFESSOR Dennis Gabor first put forward the concept of holography in the 1940s, purely as a mathematical formula, it is doubtful he imagined the importance of his discovery—even though it did win him a Nobel Prize. The spin-off from holography seems to be never-ending, from credit card security, through industrial testing, and now it is leading physicists into considering new ideas about the nature of the universe.

Holography relies upon wave interference—that is when two wavelengths of light meet, if they are out of phase or of differing frequencies they will "interfere" with each other, and create a pattern.

A conventional 3D hologram uses this phenomenon. Coherent light (light in which

universe are being challenged through holography. It began, in part, with a claim that the human brain may record its memory in the same way as a hologram—namely, not at specific points or neurons related to particular bits of memory, but over the whole area as a complex frequency pattern. "A 3D hologram does not use any lenses to focus an image—every point on the hologram records all of the image as seen from that particular point."

In consequence, if a hologram is broken into fragments, any one piece will still reconstruct a whole image. Likewise, a neurosurgeon—Karl Lashley—claimed that his experiments in removing more and more parts of the brain in animals failed to diminish their memory.

Thus emerged the suggestion of a similarity between the brain and holography, made in particular by Karl Pribram—a neuroscientist at Stanford University. Pribram's researches have encouraged even stranger ideas.

Since a hologram does not rely on lenses, Pribram has suggested that the brain—functioning like a hologram—also does not need eyes. "Maybe reality isn't what we see with our eyes" which, he says, perform a purely mathematical function in reproducing image points instead of a whole world "organised in the frequency domain."

Similar ideas have been put forward by David Bohm, professor of theoretical physics at Birkbeck College, London, who argues strongly for an holistic view of the universe. Bohm believes the true nature of things is not reducible to fragments or particles—that we should learn to regard matter and life as one whole and coherent domain.

This is also the essence of holistic medicine, which says that you must treat the whole

One Soviet idea is
a video disc with
holographic rather
than analogue or
digital information

all frequencies are in phase—as in a laser) is made to fall on a photographic plate. The same light source is also used to illuminate the subject. The reflected light from the subject which falls on the photographic plate will have travelled different distances depending on the shape of the subject; it thus arrives with its phase disturbed in direct proportion to the shape of the subject.

These variations in phase meet the incident (or "reference") beam at the surface of the plate, setting up complex interference patterns which are "faithfully recorded as densities in the emulsion. When a light beam is shone back through the processed emulsion, the recorded densities act like an interference filter and "reconstruct" the original wave front which caused them. The result is the apparent recreation, in space, of the original subject.

Many uses of holography are emerging. The first—now well-established—is in non-destructive testing. Any stress applied to an object in a holographic set-up will cause microscopic distortions at its surface—which in turn will change the phasing of the reflected light, revealed visually in the interference pattern. It is also possible to take precise measurements from a hologram—so that bulky objects can be filed away for reference as photographic sheets; one hospital in the UK is using this system for keeping records of dental moulds.

Because a hologram is recording detail down to the wavelength of light itself, it is also a dense information storage system. One Soviet idea using this is a video disc with holographic rather than analogue or digital information. One great advantage could be in the replay system—it does not need elaborate electronic or video scanning, only a simple light beam; ideal for a low-cost in-car navigational system.

A hologram is effectively refracting or bending the light passing through it, behaving like a lens system with its own built-in filters—all in the thickness of a photographic emulsion. Applications using this facility range from supermarket check-out counters (reading optical bar codes) to fighter aircraft cockpits (in head-up displays).

But now our concepts of the

Some scientists
argue that, in
effect, the universe
is just one
big hologram

patient (and his environment)—not just the symptom. It may seem a long way from photography and lenses, but if such apparently disparate things begin to connect, that in itself is holistic.

The subject is going to crop up much more in the future, and indeed has been covered in at least two television programmes in Britain in the last few weeks—one an interview with Fritjof Capra, physicist and author of the best-selling book *The Tao of Physics*.

What they are all saying, effectively, is that the universe is just one big hologram and that our brains function like a hologram within the hologram. In this domain (called by David Bohm the implicate order) we have the real nature of the universe, and other perceptions—relying on lenses or human eyes—are only a fragmented impression of reality, like indeed a photograph.

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to consider
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In 1984, Britain's partners in the European Community suffered 64,267 bankruptcies, an increase of 36% since 1982.

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THE MANAGEMENT PAGE: Small Business

BRIAN HUTCHINSON, manager of Brixton Enterprise Centre in south London, takes a quiet pride in the fact that last autumn's riots only left three of his office windows broken.

That was despite the tempting presence of a skipload of bricks in the street outside—but it was also a sad indication of the scale of the task faced by inner city job creation initiatives such as this. BAT Industries and Lambeth Borough Council together spent almost £3m on buying and converting the former Bon Marche department store into 65 managed workshops, up to 60 small retailing outlets and 8,000 square feet of open plan office space before it opened at the end of 1984.

The centre is the most ambitious—but most problematic—of the tobacco giant's philanthropic efforts to assist small businesses in areas where it has long been an important employer. BAT's other job-creating initiatives include the formation in 1981 of Southampton Enterprise Agency, which has to date advised 500 small start-up ventures, and the conversion of two transit sheds in Liverpool into 120 centrally managed workshops during the past three years.

These endeavours have made BAT prominent among the growing band of large companies like British Petroleum, ICI and British Telecom, all of whom are demonstrating their social responsibility.

Job creation

BAT reaches a watershed

William Dawkins on the fortunes of the Brixton Enterprise Centre

abilities either through direct action of this kind or through support for Britain's enterprise agencies.

New the three BAT schemes, especially Brixton, are going through an important watershed in their development. When BAT set up a small business division in 1981, it planned initially to control its job creation projects from central headquarters in London's Victoria Street, gradually pushing them out to subsidiaries until eventually they could learn to run themselves.

This process began early last year with the retirement of Allan Reynolds, full-time managing director of BAT Industries Small Business. Rather than replacing him, BAT formed out immediate responsibility for the projects to local executives already doing full-time jobs at the helm of trading subsidiaries. Now the group, which firmly denies any suggestion that it is losing interest in small businesses, is watching with interest to see how well this "hands off" approach is working.

Southampton is virtually free-standing and Liverpool is on the way to breaking even, according to Tom Long, BAT's finance director and chairman of its small business operation. But Brixton, the most recently established project, is running well over budget, with a £500,000 loss expected this year, and has been "much more difficult" than the others, he says.

The open plan offices, for instance, have remained almost empty since the day the building opened, the sole tenant being a publisher of Zen Buddhist literature. "We tried to research what the likely tenants would be, but we are doing similar things in the area—but we overestimated," admits Long.

When the centre first opened, the entire ground floor was occupied by a kind of covered market; more than 60 stalls selling everything from fast food to goldfish. This turned out to be a flop. Within months, 36 traders had moved out, unable to compete with the open street market just over the road—and last year's riots did little to attract them back.

"At first, we didn't understand retailing," admits Hutchinson. "But we have held the ground and are relatively up-market fashion or service businesses, though the Bon Marche still boasts a tropical fish merchant."

"We hadn't appreciated that the general public still regard this as the ground floor of a department store. They don't expect to find things here that they could get from barrows on the other side of the road," says Hutchinson. The ground floor is to close for a month in the spring while BAT gives it a £50,000 facelift to give it a more upmarket appearance.

The performance of the ventures in the non-retail workshops upstairs, which represent about three-quarters of the building's occupants, has been rather brighter. Just over 60 of the workshops are occupied, of which only one—ironically a newspaper for jobless people—has gone out of business.

Half of the tenants come from ethnic minorities, 70 per cent

live in Brixton and a similar proportion are in business for the first time, says Hutchinson. They include an exotic array of activities from shoe-making through tailoring to an Afro-Caribbean radio station.

That the failure rate is so much lower than the national average of 30 per cent within three years is partly a mark of the protection afforded by the business services contained in the building. For as little as £180 per month, tenants get free business advice as well as facilities like central telephone answering, meeting rooms which would not look out of place in a City bank, mail collection and 24-hour security guards.

The centre will become more of a force in the small business community with the arrival expected shortly of South London Business Initiative, a new enterprise agency to be based in the Bon Marche. A joint venture between Business in the Community and London Enterprise Agency, it will act as a broker between the plethora of local authority-backed voluntary groups south of the river and those who might help them become more effective.

As for the future, Brixton will no doubt continue to test BAT's social intentions to the full. "Our purse is not bottomless," says Long. "But as long as there is a clear indication that a project like Brixton is fulfilling a clear social need, we will continue to back it."

Advantages of CNC

MORE evidence of the speed and flexibility with which small businesses can make use of new technologies comes from the latest study from the Technical Change Centre, a privately sponsored research group.

The centre's Dr Mark Dodgson has just published a study into the way 40 engineering companies employing up to 200 people coped with the introduction of computer numerical controlled (CNC) machine tools—and the results, he says, hold a few lessons for larger businesses.

Rather than provoking the industrial strife that one might expect from any big changes in working practices, the participants in general claimed a smooth transition to new technology, leading to greater work satisfaction among machine operators.

The sample spent on average £250,000 each on CNC during the four years to 1983, during which time they experienced a 20 per cent reduction in their combined workforce. However, they attributed only 2.3 per cent of the 899 jobs lost to the introduction of CNC.

Nearly half of the participants said that CNC allowed them to remain competitive in difficult markets and 13 said it improved production times, so job losses could have been higher without new manufacturing technology.

In no case did shopfloor workers formally oppose the introduction of CNC. This, says the study, is partly because staff felt it important to keep pace with changing technology, but also because CNC operators retained their skilled status and the high wages that go with it. "Being allowed to do highly skilled operations on CNC gives operators more positive attitudes to their jobs and their employers," says Dodgson.

Average sales of the businesses sampled rose from £1.5m to £2.6m during the period of the survey, with productivity per head climbing by 35 per cent in real terms to almost £30,000 over the same time. Average profits, however, declined steadily—but as Dodgson points out, the fact that they made a surplus at all during the last recession makes them stand out from an otherwise unhealthy crowd.

Advanced Manufacturing Technology in the Small Firm, £10 from the Technical Change Centre, 114 Cromwell Road, London SW7 4ES. ISBN 0 946682 2 7.

WD

In brief...

THE SMALL business competition season is here again with the arrival for the second year of the National Small Business Efficiency Awards, funded by British Telecom.

More than £70,000 worth of prizes are on offer, with a first prize of £10,000. The competition, jointly organised with the Association of British Chambers of Commerce, is open to independent companies with up to 25 employees which have been trading for at least two years.

Entry forms are available from local chambers of commerce or from British Telecom district offices. Applications must be completed by June 16.

Meanwhile, the Mobil Design Award for Small Firms is offering £10,000 to an innovative designer with up to 50 employees and a maximum annual turnover of £5m. The winner will also get marketing advice and advertising exposure from Mobil.

Entries for the scheme, jointly organised with the Design Council, must be submitted by May 30. Entry forms can be obtained from The Awards Office, The Design Council, 84 Haymarket, London SW1Y 4SU.

●

A CONFERENCE is to be held on March 11 for small businesses which will never—or do not want to—make it to the stock market.

Entitled "Exit routes—you don't have to float yet," the conference is claimed to be the first of its kind and will be held at the Portman Hotel in London's Portman Square. Speakers will outline the pros and cons of public floatations as against share buy-backs, sales to other companies and partial realisations.

Tickets cost £152.85 for members of European Study Groups (ESG) or £178.45 for non-members. Details from ESC, Kirby House, 31 High Street, Uppington, Rutland, Leicestershire, LE15 9PY. Telephone 0572 822711.

●

ONLY 10,000 out of the minimum of 800,000 businesses believed to be holding computer data in the UK have registered under the requirements of the Data Protection Act.

The final run-up to the May 11 registration deadline therefore looks as if it will be frantic. Conrad R. Raine, chairman of Legal Protection Group, the data protection registrar has organised in-

creased advertising for March and April, but it looks as if many small companies are still ignorant of the need to register.

One in ten of applications received by the registrar—mainly from large companies—has had to be returned because it is incorrect, maintains Raine. Legal Protection is offering a registration service to help companies, partnerships and sole traders to unravel the complexities of the Act. Details from Raine: 01-661 1481.

●

THERE are between 220 and 240 franchisees active in the UK with some 8,300 franchised outlets representing combined annual sales of £1.7m, according to the latest survey by the subject.

UK Franchising—A Financial Survey, published by Jordans, the company formation and data group, includes a financial analysis of the 24 leading organisations offering franchises. It includes operational details of the companies involved, such as the number of franchisees, the rough levels of investment required and the royalties payable.

It makes a useful comparative guide for anybody considering going into franchising, and is able to afford the £125 cover price. Available from Jordans, Jordan House, Brunswick Place, London N1 6ER. Telephone 01-353 3450.

●

THE ICC Group, a provider of company information, last week unveiled a credit rating service for small businesses. It is an inter-company comparison and industry averages to produce a small business health check, featuring a credit score of one to 100, with 100 being the best.

More than 30 regarded as candidates for failure. ICC's small company status reports cost £15 or £22.50 with a written commentary. Details from Roger Duddy, telephone 01-351 4941.

●

SMALL Business, Planning and the Local Economy, is the title of a seminar to be held at Leeds Polytechnic on the afternoon of February 23.

It is designed for those with an interest in encouraging the growth of small business in the local economy and will examine ways in which the planning process can aid entrepreneurs. The fee is £20 and booking forms are available from the Institute of Small Business, Leeds Polytechnic, Lawns Lane, Farnley, Leeds. Telephone 0532 630565.

A picture of ambition

None of the ventures to have taken root at the Bon Marche can be as colourful as the Guity Talberg Illustration Agency.

Founded last August by 22-year-old Guity Talberg, the agency acts for ten young illustrators and has already placed their work with a number of impressive clients like Time Out, Penguin Books and Cosmopolitan, among others. Talberg plans to stage an exhibition in Paris and to open a representative office in New York later this year.

Talberg founded the business with £1,000 saved from an abortive career as a management trainee with Hilton International and later the Holiday Inn, Heathrow. Feeling that promotion prospects for women in hotels were limited, Talberg decided to cultivate budding illustrators through family connections (her grandfather was a well-known illustrator) and friends.



Guity Talberg

The agency is already profitable and pulling in two to three jobs per day, on which Talberg takes a 30 per cent commission. One attraction of being based at the centre, she says, is that security staff are on duty at all hours, so that "illustrators can come and go as they wish."

Acceptable Graffiti

LYNETTE JOSEPH, 21, and Dawn Morrison, 28, started their printing business, Graffiti, last year in a basement in Clerkenwell, provided by the training organisation Project Fulfillment.

Small and cheap — "you couldn't swing a cat in there," recalls Morrison — it was an ideal starting point, but the pair had no room to expand. So it was that they moved in October to a £220 per month workshop in the Bon Marche building.

"We have definitely attracted more customers since moving here," says Morrison. That is partly because there is less competition from other small printers in south London, but also because the services on offer at the centre — like message taking and secretaries — have made it easier to do business.

Started with a £1,500 award from the Princes Trust,



Lynette Joseph (left) and Dawn Morrison

Graffiti has just begun to break even after a year's trading. In spite of their Project Fulfillment training, the pair have a strong aversion to using banks. They keep an account to pay their rent, but prefer to pay all other bills in cash and prefer to get paid in cash. "If you don't borrow,

you don't worry. This way we know how much we have got," says Joseph.

Customers for the business cards, office stationery and invitations include a city merchant bank, several insurance companies and — not surprisingly — fellow students from Project Fulfillment.

Glenn Capus

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Bristol BS1 2DQ
Tel: (0272) 290790 Telex: 449816

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Vitreous Enamelling Plant

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* a prospective investor may be eligible for assistance towards purchase of plant and equipment and for rent concessions on the premises

For further information please contact the joint liquidators:

Barry Mitchell or Peter L. Davies
Peat Marwick, Mitchell & Co.
Marlborough House, Fitzalan Court
Fitzalan Road, Cardiff CF2 1TE
Telephone: (0222) 462463 Telex: 497987

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Businesses Wanted

LLOYDS MEMBERS AGENCY

A members agency wishing to merge in order to strengthen its position in the market would be interested in discussing possible opportunities. Will any members agency in a similar position that is interested in this suggestion please register their interest with Robert Ashley-Jones of Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU, Telephone 01-928 2000.

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Tuesday February 18 1986

US power and Mr Marcos

THE US is facing one of the most difficult questions in its diplomatic history. So, in a way, are its European and Asian friends and allies because they have an interest in seeing the Americans get the answer right.

The question is the future of Mr Marcos's regime in the Philippines. On all known evidence the regime is corrupt, yet Mr Marcos seems bent on staying in power. Should the US seek to prevent him and, if so, how?

Although the particular place is the Philippines, it could be one of many and the question can be put in general terms: what should democracies do about allies that cease to be democratic, whose leadership reneges on democratic values, yet thinks that it will go on being protected or can stagger on for a few more years? There is no international rule of law to resort to. The US either has to accept the mess and some of the responsibility for it, or it can seek to engineer peaceful change.

The questions are exceedingly hard to answer and the US's friends should be sympathetic as the US Administration ponders them.

Not all US interventions overseas have been happy. The war in Vietnam led to trouble at home without victory or democracy in Indochina. President Carter's subdued approach to the US hostages in Iran, and the subsequent abortive rescue attempt, did him no good in terms of domestic politics; nor did it do any good in the influence abroad. Even President Reagan was obliged to withdraw from the Lebanon.

Benign intervention

Yet there is another side to it. The US maintained a close bilateral relationship with Spain during the Franco period and must have had some influence on the way the country returned to democracy. It kept a close watch on Portugal when the country was passing from an authoritarian regime through revolution to the democracy that exists today and which has been reinforced by the victory of Mr Mario Soares in the Portuguese presidential election at the weekend. It is also a discreet influence on Italy when

it seemed that the Communists might win a general election in the mid-1970s.

The latest example of US influence without the use of force is Haiti. Perhaps it should have been done earlier, but there can be little doubt that it was the statement by Mr George Shultz, US Secretary of State, two years ago that made it plain to Mr Duvalier that his time was up. He was flown out of the country by the Americans. That was an illustration of benign intervention; it is possible that Haiti will become a more democratic place as a result.

Military technology

The Philippines may be different. It is much bigger than Haiti, more powerful, more capable of economic take-off and at least until recently retaining the semblance of democracy. Also, the US has some of its most important Pacific military bases there. It is not simply a matter of President Reagan saying "Marcos must go" and he goes on the next US flight to Tallahassee.

Yet the question comes back: what does the US do about an ally that has ceased to be democratic? The US is involved. Mr Richard Lugar, chairman of the Senate Foreign Relations Committee, went there as head of a team observing the elections. He has declared them to be corrupt. Mr Philip Habib, the old US troubleshooter from the days of Kennedy, is in Manila now on what may be more than a fact-finding mission. What happens in the Philippines has become part of US politics.

One way to proceed would be to threaten to cut off aid: the \$200m or so that the US pays for its bases. Given the advance of military technology the bases are anyway probably dispensable with time. Another would be to talk to all the parties concerned: the business community, the armed forces as well as the politicians. Above all, it means having a shot at persuading Mr Marcos to stand down. That will not be easy, but all the US's friends, Asian and European, must support the demand that President Reagan must keep it up.

Risk and reward in the City

POP STARS and tennis champions may earn huge sums without embarrassment but it seems that the City of London's pay race—with telephone numbers being paid a 25-year-old bond traders—is upsetting the Thatcher Government. The publicity being given to such largesse is unwelcome when unemployment is biting deeper and deeper in the rest of the country.

Before the Government becomes too angry at the City, however, it should remember that its own actions have contributed to the phenomenon. It has been a clear policy over the years to encourage the development of London as a major international financial centre as a way of creating wealth and jobs. It would be illogical to change course because the policy is proving successful.

It should be remembered, too, that an international industry has to have international pay rates. London's financial pay race is influenced, in particular, by those in New York (only the disparity with other incomes is greater in the UK). Indeed, it could be argued that the problem, if one exists, is as much that other incomes are so low by the standards of other advanced trading nations as that City pay is too high.

A more specific action of the Government has been to set up a new type of government bond market with as many as 29 prospective market makers, where before there were only a few large firms and a handful of smaller ones. One especially vigorous pay spiral at present involves precisely the bond traders who are required to man 20 trading desks. So the Government or at any rate its agent, the Bank of England, cannot stand idly by as the bond phenomenon, which is at least partly of its own making,

Direct benefit

Suggestions that a special tax attack should be launched against the City pay boom are misconceived. For one thing, the remuneration bubble is likely to burst of its own accord in due course. But more importantly it has to be realised that the Exchequer is already guaranteed a healthy share of the bonanza.

Not only are the bumper pay packages liable to tax at a marginal rate of 60 per cent,

but since last October high incomes have been subject for the first time to a 10.45 per cent employers' national insurance, foreigners who are at present taxed on only 50 per cent of their UK earnings are to have this concession phased out. An associated jump in the pre-tax pay of many London income tax payers—many actually have exaggerated the apparent pay spiral, but is of direct benefit to the Exchequer.

It is true that personal or corporate pension schemes allow possibly too generous tax shelter to be provided to earners of very high incomes. But the Chancellor had a chance of addressing the pension tax issue last year and failed to do so.

Underlying worries

His real City tax problem this year is rather different, concerning as it does the need to remove stamp duty on purchases of securities. Without such an encouragement to turnover, and a corresponding removal of the existing incentive for business to move to New York and elsewhere, the point of restructuring the Stock Exchange on a more competitive basis will be largely missed. A compensatory swipe at the City would be politically understandable but might be self-defeating.

There are, of course, underlying worries that the City of London's pay spiral is draining talent from the rest of the country (even from the Continent) but it is a bit late in the day to be thinking of turning the City back into a domestic financial centre.

A much better way is to encourage market forces to work quickly and mercilessly. The real blame for the City pay spiral lies with the financial institutions which are short-sighted and impatiently bidding up for practitioners so that they can enter already overcrowded markets. The Government should make it plain that banks and other financial institutions which get into trouble through overpaying their staff will be treated with exactly as much sympathy as an unemployed West Bromwich metal basher, the special pleading of the Bank of England notwithstanding.

WHEN Mr Mikhail Gorbachev recently visited the Soviet Union's main oil province of west Siberia—in which he plans to spend \$825m (£700m) in the next five years—he said he was "astonished to see how much had been done any old how, on the principle of 'we'll muddle through somehow'."

"But we're not muddling through, comrades," Mr Gorbachev told the men who run the oilfields, and he warned that the Soviet Union could not afford to see big investments "become frozen into the soil of Siberia." He made clear he was not only criticising the oil industry; the Kremlin needs a better return on the money swallowed by the development of Siberia as a whole.

The future of this vast region—Yakutsk is as far to the east of Moscow as Jamaica is to the West—poses a dilemma for Mr Gorbachev. He must decide how long the Soviet Union will continue to pour funds into developing Siberia's raw materials, funds badly needed east of the Ural Mountains to re-equip plant with high technology in the old industrial areas.

The question is all the more pressing because of the fall in world commodity prices over the last year. Soviet foreign trade consists essentially in selling fuel and raw materials, mostly from Siberia, and buying manufactured goods and food. In 1984, 60 per cent of the Soviet Union's \$225m (£18.5bn) exports to the West came from oil and other raw materials could cut this by up to 40 per cent unless oil sales are increased.

Politburo wants new capital schemes cancelled or shelved

Today's prospects contrast sharply with expectations during the last 10 years of President Leonid Brezhnev. Then successful exploitation of the Siberian wilderness appeared a short-term method of boosting the economy as the annual growth rate lagged during the 1970s. The opportunities in Siberia seemed endless: the area east of the Urals to the Pacific Ocean contains at least 10 per cent of the world's oil reserves, 20 per cent of its gas, 40 per cent of its proven and probable coal reserves and 15 per cent of its timber.

Impressive results were achieved. Geologists and prospectors have discovered vast deposits of oil and gas along the old Trans-Siberian railway, where most of the 28m population of Siberia lives, into areas where the ground is permanently frozen and exposed skin freezes in 30 seconds. In the 1970s the Soviet Union developed the world's largest oil and gas field in the swamps of west Siberia. The 3,100 km Baikal-Amur Mainline (BAM) railway was cut through mountains to open up eastern Siberia.

"In west Siberia today we recover 60 per cent of our oil

and more than half our gas: what would our lives be like if we had not performed this great endeavour in Siberia?" asked Mr Boris Shcherbina, one of the men behind the development, recently.

But the expense has been vast. Too often the engineers' dream of opening up Siberia turned out an accountant's nightmare. Worse, the area diverts capital funds which the Politburo wants to spend on its four priority sectors—machine tools, machine building, computers and electronics—in the European part of the country.

What Mr Gorbachev wants to do is only now becoming clear. Big new projects, essential or already under way, are to be completed but new schemes will be cancelled or shelved. Casualties among the latter so far include:

• A plan, recently shelved by the Politburo, to divert water from the rivers running north through Siberia southwards via a canal to the parched plains of central Asia.

• Out of four big \$1bn-plus petrochemical plants put out to international tender for construction during this five-year plan, one on Lake Baikal has been cancelled and another shelved.

• In the Far East, Japanese companies have told Soviet officials that they are not interested in buying gas from Sakhalin Island. This means the scheme to develop gas for export and build a liquid natural gas plant in the Far East is dead.

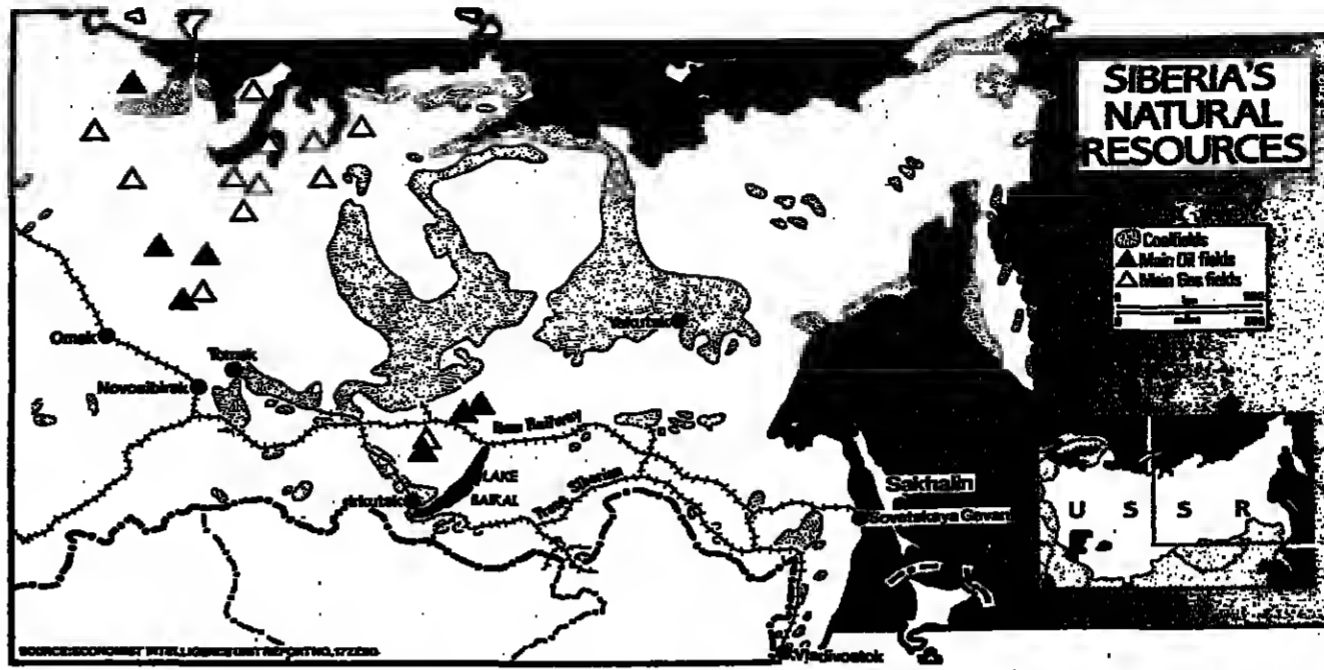
Joint ventures with Western companies to develop Siberian raw materials—credits secured against long-term contracts to supply commodities such as coal or ore no longer look as attractive as in the 1970s. Meanwhile, every fall of oil in the price of oil at the Soviet Union \$550m over a year.

It is not surprising in these circumstances that Mr Gorbachev wants to retrench in Siberia. But this is easier said than done. Last summer he wanted to hold steady the

SOVIET INVESTMENT IN SIBERIA

An end to the cavalry charge

By Patrick Cockburn



Mikhail Gorbachev: money spent in Siberia is needed east of the Urals

proportion of investment absorbed by energy but in the face of the mounting problems of gas for oil got under way 10 years later than in western Europe.

As exploration drilling is stepped up in west Siberia, production can probably be stabilised not far below the 550m tonnes of crude produced last year. Even if production drops further, it will not produce a crisis so long as gas-fired power stations, which should produce 20 per cent of Soviet electricity by 1990, are brought on stream.

Investment in reducing the amount of fuel and raw materials used is twice or three times as effective as investment in increasing their output, according to Mr Gorbachev—omniscient mathematics for many high-sounding schemes in Siberia. He made it clear, nevertheless, that heavy investment will continue in the cost-efficient exploitation of projects already built.

But local officials along the BAM railway were gloomy last month about the prospects for many of the new territorial production complexes—industrial towns centred on a local energy source—being built soon. There are too many calls on resources. Long-developed industries are also in chronic need of investment. The Kuznetsk coalfields, for instance, are Siberia's biggest and they produced 147m tonnes of coal in 1984, but "no

one has begun the construction of a single new mine in the basin in the past 25 years," according to the Communist Party daily, Pravda. The newspaper blames the ministry for the coal industry of increasing output mindlessly and neglecting development.

But the drive to develop Siberia has always been more than an attempt to wrest raw materials from a barren wasteland. The population of 28m is already 3m more than Canada's and a central aim of current planning is to settle areas previously inhabited only by fur trappers, prisoners and exiles.

Wages are high. In Yakutsk, where temperatures this winter often dropped to below -50°C or three times colder than the interior of an average domestic freezer, pay is two and a half times that in the rest of the Soviet Union. Wages of between 800 and 900 roubles a month are not uncommon, and there are well-stocked shops in which to spend the money.

Other newly-developed areas have less to recommend them and there is a rapid turnover of labour. A trade-union official recently wrote that a couple he knew were leaving the BAM where they had lived since 1976: "They have two small children, and...huddle together in a small apartment, earning..."

Mr Gorbachev conceded that in west Siberia it was "awkward—embarrassing even—to talk about millions of tonnes of oil and cubic metres of gas which the greatest incentive in Nizhnevartovsk is to be given a ticket to see a film. Nizhnevartovsk is a town of 200,000 inhabitants and yet it does not have a single cinema."

Solving the problem involves more money and better management of the way it is spent. In the past the central planners in Moscow never really got a grip on costs in Siberia. They could never distinguish between projects likely to produce a reasonable return on investment and

those which would not. The so-called "cavalry charge" method of Soviet economic management—hurting resources at a problem until it cracks—proved wholly inadequate as costs spiralled in the swamps and mountains of the Siberian interior.

The lack of central control over costs was exacerbated because Soviet ministries often behave like feudal barons. Neryungri in south Yakutia, for instance, is a generally well-run little town divided between areas built by their respective ministries for coalminers, transport and energy workers. In summer, the road turns to mud

Spending became a costly game of double or quits

between the different sectors and is known to local drivers as "the interministerial no-man's land."

But for all that, the development of Siberia's wasteland in an appalling climate over the past 15 years is an engineering achievement which matches the construction of the Panama Canal in scale and difficulty. The problem is that under Mr Brezhnev, Siberian raw materials, and the foreign trade which they underpinned, became a substitute for economic reform in the Soviet industrial heartland. The result was that Siberia's resources were exploited too quickly.

Investment in the region became a costly game of double or quits and Mr Gorbachev wants to end it. Over the last year the new leader's attitude towards change in the management of the Soviet economy has become clear. The greater control of investment and strategic planning combined with more managerial autonomy at local level. The way Mr Gorbachev copes with the problems and opportunities of Siberia will provide the first chance to see how far these attitudes translate into policies.

SIBERIA'S PLACE IN THE ECONOMY

PERCENTAGE SHARE OF SIBERIA AND SOVIET FAR EAST IN THE SOVIET ECONOMY

	1965	1970	1975	1980
Gross social product	8.1	8.5	9.1	9.5
Gross national income	7.5	9.1	10.0	10.5
Gross industrial output	8.1	8.4	9.0	9.2
Capital investment	10.0	11.0	12.0	15.0
Fuel production	14.8	17.0	21.1	26.7

Source: EU

Bird man of Kathmandu

As a member of the Government of Nepal, in 1976-77, Anthony Hurrell helped to put together the controversial report on the Foreign Office that recommended drafting senior officials from other departments into the diplomatic service.

Yesterday—"hoist by my own petard"—Hurrell stood in a British ambassador's 19th century-style, gold-braided black uniform complete with white feathered hat at Kathmandu airport to greet the Queen at the start of her five-day visit to Nepal.

Hurrell is the first civil servant from the Overseas Development Administration—and possibly, he thinks, from the Home Civil Service—to be made an ambassador.

A keen bird watcher and an expert on the bird life of the Himalayas, he will spend his 59th birthday today—Nepal's Democracy Day and a public holiday—with the Queen. She will be staying in the royal palace in Kathmandu and at a bungalow outside the city while



"Arthur Scroogies" take over bids in British industry, January to February 1986

Men and Matters

the Duke of Edinburgh visits a game reserve.

Hurrell, who started his career in the old Ministry of Labour, seems to have had little difficulty switching from the ODA, where he was under-secretary in charge of British aid to the Asian, Caribbean and Pacific regions, including India, to the ODA's top job as secretary of King Birendra's coronation.

"No, they gave me no special training in diplomacy before they sent me out. But there are great books of rules, so you read them and follow what they say," Hurrell said.

"I never thought three years ago, I'd be doing this," he added, flicking a finger over his resplendent uniform. "It's the sort of thing you wish your mother could see you in."

Black power

Sheila Black is a woman who understands power. She once used the beat of her bathroom to grow small oranges, and then put the exercise to profit by making marmalade from them.

After chairing the national gas consumers' council for five years, Black has been made first chairman of the new consumer body that will keep an eye on British Gas after it is privatised.

The first woman's editor of this paper (it was a male world in those days) she is a great believer in educated consumerism.

Her career has run from being one of the first women to appear on television from the old Alexander Palace to a management role in electrical engineering, a spell in public relations, and membership of several government committees.

Her early interest in what she has called "the real world" was fostered by her accountant father who read her the FT instead of bedtime stories.

At 65, she still lists football among her recreations, which

suggests the gas mantle will sit happily upon her energetic shoulders.

Stags at bay

Something odd may have happened in the ballot for shares in Wellcome to judge from the stream of complaints flowing into the Financial Times.

Fourteen in by post at the start of the week apparently had a much higher success rate than the one-in-fourteen chance promised by the weighted ballot, the callers allege. They also claim that those delivered by hand at the last moment seem to have been given short shrift.

Impossible says Midland, the recruiting banker, which is interpreting such complaints as "nothing more than the baying of a few angry stags."

However, it is not just the stags who put in forms by the suitcase load who have been grumbling. Some stockbrokers and advisers who submitted several hundred applications on behalf of their clients have not been amused to have them returned with, at best, a handful of successes.

A kindly employee at Moorfields Eye Hospital who handed in 90 forms on behalf of his patients on his way to work was saddened to get no shares at all.

Some of the lucky investors were very lucky indeed, however. One who posted 80 forms on Monday reported a 100 per cent success rate. That was not the only thing that surprised him. His cheque, he claimed, had been cleared on Friday.

Odd, as only the cheques of the successful applicants were cleared, and the counting prior to the ballot went on until the small hours of Saturday morning.

Spanish customs

Cries of outrage came from the Madrid Press recently when Spanish passengers arriving at

London's Heathrow airport found that instead of being promoted to the British and EEC passports channel they were being lumped together with Other Passports.

Was the Spanish demanded, was the point of being in the Common Market?

Heathrow officials explained that the nationals of the most recent EEC member states—who do not gain full freedom of movement through the market nations until some time after entry—take more time to process. Nevertheless British customs has promised to open up a special gateway for the new EEC citizens (including Greece and Portugal).

Now the Spanish are rightly congratulating themselves that an anomaly has been resolved. They might also like to think about another on their own doorstep. In the interests of cultural promotion, access to Spanish museums is granted free to anyone who has a Spanish identity card.

But foreigners have to pay. That arrangement clearly flouts the EEC rules about discrimination between EEC nationals. Perhaps the Prado and other museums should set up separate entry channels for Spanish and EEC Nationals (free) and Other Aliens (payment required).

No soap

While Turgut Ozal, who arrived in London yesterday, is trying to take Turkey closer to the West, his Ministry of the Interior seems to have other ideas. It has just issued a statement denouncing a series of names as "contrary to our national culture, the rules of morality, and our customs and traditions, and likely to damage public opinion," and says it has ordered the public prosecutor to take action against parents giving them to their children.

The names? Janet, Jessica and Melissa (or to give them their Turkish forms: Canik, Cemika and Meliser)—all belonging to heroines of soap operas popular in Turkey.

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Observer

UK PROPERTY MARKET

At last some excitement

By Michael Cassell, Property Correspondent

AFTER FIVE years asleep, the UK property investment market has taken as many days to wake up.

Last week began with a well-orchestrated leak suggesting that Trafalgar House was casting an acquisitive eye at M&P, the country's second largest property company. After a prolonged withdrawal from the property market, Trafalgar is again stepping up its development programme and is apparently considering spending the best part of £1bn to back up its ambitions.

By Thursday, it was the turn of Rodamco, the Netherlands-based property investment trust to launch a "surprise" £240m bid for Harsco, the 12th largest UK property company. Mr Cornelis van Rijn, Rodamco's managing director, said that, after several years of stagnation, the UK property market was again on the move.

Only a few days before, estate agents had gathered in Paris at a champagne reception, invited there by a high-flying British property development partnership to help celebrate the handing over of a refurbished office building to its new owners, a British pension fund.

For some of them, the sense of déjà vu must have seemed as overpowering as the cigar smoke. Small talk turned inevitably to the early 1970s, when British developers invaded the continent to try to repeat a formula which, overnight, had made them immensely wealthy or home.

Recent events have reintroduced a more lively atmosphere to a property market which has been short on excitement for most of the 1980s. To many, the "Cinderella" sector looks ready for a change of clothes.

Office space in the City of London is again being snapped up, with rents—already among the most expensive in the world—climbing towards \$40 a sq ft and dragging those in the West End behind them. In their wake, the "new" development activity is taking place, with major projects left to occupiers before they leave the drawing board.

Tenant demand is returning to cities which have for years been plagued by a chronic oversupply of office space. At the same time, proposals for generously landscaped business parks, modelled on their US

counterparts, are springing up from Bristol in the west to Cambridge in the east.

Though there are now clear indications that investment in shops, buoyed up by the continuing consumer boom, has become overextended, developers and investors are pouring money into a new generation of edge-of-town and out-of-town shopping projects.

Even in the industrial market, overwhelmed by a mountain of unwanted, often unusable, accommodation, the national stockpile has fallen to 126m sq ft, the lowest level for nearly five years. Demand for standard industrial "sheds", for so long standing empty as a monument to the recession and the property sector's malaise, is steadily improving.

Mr. Marsh Gudge, a property analyst with Scringsour Vickers, the stockbrokers, believes sentiment is turning: "The 'feel' of the property market is more positive than at any time since the late 1970s. But while rental growth has begun to exceed inflation, values in the main are not yet moving and the likelihood of another property boom is still rather remote."

The renewed, if carefully measured, optimism for property is shared by Mr David Malcolm, chief investment manager for Royal Insurance. "Overall, we are expecting a better performance from property this year. The tide is definitely turning but we are not expecting a torrent. There is still an oversupply in many markets and, even where demand is strong, supply is tending to grow to meet it."

The revival is patchy and largely confined to the southern half of the country. While Birmingham appears to be emerging from years of rental stagnation, talk of brighter times in Liverpool, Newcastle and Cardiff can still evoke very little laughter among property people. There seems little chance that the upturn will lead to the sort of calamity which overtook the industry more than a decade ago, when too much floor space and too little demand brought a deflationary development industry to its knees.

In the years after the boom, the UK's national champions, pension funds and insurance companies picked up property assets at bargain basement prices and assumed the role of



landlords. Many of the purchases performed exceptionally well and, by the late 1970s, overall returns from direct property investment surpassed gilts and equities.

By the start of the 1980s, property accounted for 25 per cent or more of many institutional investment portfolios. To boost returns further, an increasing number of funds themselves became property developers.

But just as their commitment to the sector reached new heights, the property market came off the boil and tenant demand dropped away, undermining all the assumptions about continuing growth in rents and capital values. As inflation fell, property was pushed away on to the investment sidelines, where it has remained. The old stamping ground for entrepreneurs had first been institutionalised and then neutralised.

Returns from property, still considered a long-term investment but nevertheless increasingly subjected to the type of short-term performance measurement applied to its competitors, have been poor. For five long years, returns from gilts and equities have left property behind.

Such has been the disenchantment of fund managers that portfolio weightings in property have almost halved since the start of the 1980s.

The market in property shares has, until now, been equally circumspect, with the property sector struggling in

1985 to show a 4.5 per cent overall gain and falling 10 per cent against the rest of the market, to its lowest level since 1977.

Behind the poor performance lies evidence of sluggish growth in property values. The growth in net assets of property-owning companies, one of the key indicators used to judge their state of health, has been averaging no more than 5.6 per cent a year, compared to increases in dividends in the overall equity market of over 10 per cent.

Despite the poor track record, the investment market has remained reasonably active, with insurance companies in particular, together with the pension funds, still pushing large sums of cash into bricks and mortar. Between them, the institutions, which last year are thought to have sold over £1bn worth of property in order to get their portfolios into better shape, now own UK property worth an estimated £35bn.

Final figures for 1985 are not yet available but it looks as though new investment in property by the institutions reached around £1.7bn, up from £1.5bn in the previous year. At the start of the 1980s, the figures were over £2bn.

Hesley and Baker, the estate agents, report a fresh surge in institutional spending. According to Mr Paul Orchard-Lisle, deputy senior partner: "In recent weeks, there has been increased interest in direct property investment. Many funds have allocated substantial sums of money to the property market, some for the

first time.

"The reawakening seems to stem not so much from any expectation of abnormally high growth rates but rather the relatively bullish medium-term predictions for the equity and gilt markets."

Average returns from property investments, for years held down by the high prices which the institutions have been forced to pay for them, rather than by any realistic prospects for strong rental growth, have started to rise. Property generally has become less expensive than it has been for over a decade.

The differential between average yields on property and long gilt yields is now at its narrowest since 1972, with rents now only having to grow by around 3.5 per cent a year to match the return on gilts.

Institutional and corporate property owners, now experiencing a genuine improvement in tenant demand, see few problems for property in achieving such a performance. Huller Parker, the estate agents, say that in the six months up until last November, average rents were growing at just over 8 per cent—the highest rate since early 1981.

Mr Peter Sim, property investment director of Legal & General, believes the re-emergence of property developers into the centre of the marketplace is the best indication yet that the outlook is improving: "It may mean more competition for us but it

Lombard

Pragmatism on exchange rates

By Philip Stephens

Serious advocates of a return to a system of managed exchange rates should view Washington's apparent enthusiasm for an International Monetary Conference with alarm. Instead of advancing progress among governments towards a reassertion of control over the multi-billion dollar foreign exchange markets such a conference might well have the perverse effect of doing just the opposite.

Luckily the US administration is not yet committed. Treasury Secretary James Baker has until the end of the year to consult his opposite numbers in Japan and Europe and give his recommendations to the President.

He should decide his answer now; that it is too early to think in terms of fixing rigid target zones for the world's major currencies, but that if everyone keeps a low profile we could be there in two or three years time. France mean while should avoid any strident lobbying for its proposals to phase in target zones and concentrate instead on strengthening the present co-operation between central banks.

In many respects the transition to managed exchange rates has already begun. After nearly a decade of benign, and often bemused, neglect, central banks of the world's leading industrialised countries have been active players in the foreign exchange markets since the beginning of last year. The Plaza agreement to bring down the dollar announced by the Group of Five last September formalised the volte-face.

The lesson of that agreement was that in informal gatherings governments were prepared to commit themselves to policies that they had rejected in a more structured setting. It is worth remembering that the central banks of the US, Japan, West Germany, Britain and France agreed on massive intervention only months after endorsing a report which showed acute scepticism about the value of such action.

But there remains a number of problems in translating the co-operation only so far into any system of exchange rate zones. The consensus in the Group of Five rested on a general

acknowledgement that the scale of currency misalignments had become excessive and damaging.

Everyone was agreed in what direction currencies ought to move and to some extent which should move faster than others to establish a more durable pattern of exchange rates.

Thus the dollar had to fall and, if possible, it should drop faster against the yen than the Deutsche Mark. The US currency's appreciation against

sterling should be even slower. What the ministers have not agreed on, even in their private discussions, is where they want to get to—in other words what would be the ideal pattern of exchange rates. At the same time, because the aim of concerted intervention has always been seen in pragmatic terms—to stave off a resurgence of protectionism in Washington—governments have not had to focus on the theoretical framework.

And how lies the danger of an International Monetary Conference. The same ministers who concur that further shifts in exchange rates are essential to restore equilibrium to the world economy find it much harder to agree in abstract terms just what path of their currencies is worth.

Countries like West Germany, which jealously guard their independence of action in monetary policy, would also be obliged publicly to renounce the primacy of domestic over international obligations. Formalising what governments are prepared to do on an ad hoc basis would probably prove impossible. Progress made so far could be lost in arguments over theory and sovereignty.

The best hope for a new "Bretton Woods" rests on a continuation of the pragmatic co-operation between governments and central banks seen over the last year.

When exchange rates have reached levels that begin to reverse the current disequilibrium and are perceived as being sustainable there is a good chance that governments will realise there is a mutual interest in seeking to maintain those levels.

That will be the time for France to refine its proposals for target zones and to put them to an International Monetary Conference.

Competition policy

From Mr H. Shutt

Sir,—Your Editorial on merger policy (Feb 12) raises an important issue which requires fuller examination than you gave it, namely the implications of the argument that the internationalisation of markets justifies disregarding the threat of excessive concentrations in a market share on a purely national basis.

If it is true that the Government has accepted that such concentrations may indeed be desirable "to enable the UK to compete in world markets" we need to be asked: (a) whether this means that its belief in free competition is to be subordinated to a recognition of the need for an industrial policy—presumably based on the "national champions" concept; (b) if so, what guarantees are to be sought from companies who benefit from this watering of the anti-monopoly rules that in return they will use the greater financial strength deriving from their increased UK market base to add to national exports, income and employment rather than to that of other countries through their overseas subsidiaries.

This point is especially pertinent in view of the Government's apparent willingness to see foreign-owned multinationals such as Ford and General Motors acquire control of the bulk of capacity in the UK's automotive industry.

Unless the Government takes steps to clarify its position and reconcile these apparently conflicting objectives, it should be able to conclude that, despite all its free market pretensions, it is simply bowing to pressures to relax competition policy in the interests of economic growth and speculative stock market boom while the real economy continues to be dismembered.

Harry Shutt, 60 Rutland, Horsesham, W Sussex.

Helpful tax changes

From Mr T. Teo

Sir,—Samuel Brittan's attack (February 10) on the Tory vote for displaying an allegedly characteristic failure to catch up with change in the real world by campaigning for an increase in tax thresholds is misplaced.

Of course the overwhelming priority is slower growth in unit labour costs. But since Government can improve work incentives by tax changes, it should do so by lightening the load on the lower paid such as the £140 per week nurse mentioned by the Chancellor in his speech to the Conservative Party conference last October.

Letters to the Editor

By far the most cost-effective way to do this is by building on the foundations laid in last year's Budget when tax reliefs were granted partly through higher thresholds and partly through cuts in employee national insurance contributions for low paid workers.

Continuing this policy would allow the Chancellor to improve the take-home pay of all workers earning up to £140 per week by an amount between three and ten times greater than that which would be achieved by a cut in the standard rate of income tax. This calculation holds true whatever the total size of relief granted.

The LME will not be operational until 1988 and its forthcoming introduction must not hold up helpful tax changes in the meantime. In any event, after 1988, the LME will remain since it is better for families to pay less tax and receive less benefit than vice versa.

Under the new system cutting the tax on national insurance contributions paid by lower income households could become a largely self-financing exercise since savings in social security would be used to finance a whole new virtuous circle opens up and Mr Brittan should welcome it.

Tim Teo, House of Commons, SW1.

Fair dealing in tin

From Mr V. Harrison

Sir,—I write again with reference to the rescue plan now being negotiated for the International Tin Council which, as readers know, has got itself into severe difficulties on the London Metal Exchange when it did not have the financial backing to carry on trading.

I wrote last December, suggesting that the behind the scenes negotiations were being carried out to rescue the International Tin Council with complete disregard for those traders who have traded in normal and honest way on the Metal Exchange and who now hold open short positions in tin. I prophesied that the negotiations would eventually be dragged on sufficiently so that all traders with open positions in tin would find that their three months trading period had expired and they would be at the mercy of the LME when trading was eventually resumed. I also sent a copy of the letter to the LME and received an acknowledgement.

It would now appear that my worst fears are being realised. Apparently to protect the defaulting ITC, a scheme is being arranged which will put a squeeze on those perfectly innocent traders who have been unable to close their open position in tin because of the suspension of the market. On February 13 Mr Kestevenham is quoted as saying that he expected an opening tin price of £7,500, which is £1,500 more than the current trading price of the unofficial market. The reason for this he said was that there are traders short of tin who would have to buy tin at the moment the market reopened driving up the price.

The only reason that these traders would have to buy tin as soon as the market reopens is because tin trading has been suspended and that they have not been granted the normal three months flexible trading time that they would have expected when they opened their position.

This strikes me as a grave miscarriage of justice and I cannot credit that the LME will agree to such a decision being implemented.

Surely the only fair solution when the market reopens is to allow a period of grace for those traders who have opened tin positions so that they can close them in an orderly and reasonable fashion.

While everyone hopes for a reasonable settlement to this sad affair, surely, there is no justification for punishing those people who have traded in a perfectly honest and above board manner to try to protect those people who have been trading in the market in the past.

V. A. Harrison, Ashley Harrison & Co, 24 High Street, Henley-in-Arden, Solihull, W Midlands.

Canary Wharf development

From Mr M. Goldman

Sir,—It is not only the residents of the Isle of Dogs who are worried about the Canary Wharf development (February 13). At a presentation to the Greenwich Society in January the developers had a rough ride and that was from an audience whose main concern was the view of the towers from south of the river. The meeting passed a resolution approving the development in principle but expressing concern about both the height and

the string of the towers. Public opposition has apparently already secured a move of the towers some way to the eastern part of the development so that they will not be on the main axis of the view of the Isle of Dogs from Greenwich Park over the Royal Naval College.

It is a sad reflection on the quality of modern high rise buildings in this country that so many people cannot imagine skyscrapers which actually enhance a view. The design of the three towers is as yet unknown but it is quite likely that they will improve distant views of the Isle of Dogs, especially from the many viewpoints where the Naval College is not in the foreground. There is no parallel here with the spilling of views of St Paul's from modern blocks because there is no existing feature in the Isle of Dogs to be affected.

This is not to say that the worries of local residents are groundless. An answer to a question about the micro-climate around the base of the towers was fudged at the Greenwich Society meeting. However, it would be a grossly missed opportunity to retard the regeneration of the Isle of Dogs, the centre of conservationists to almost any new development is a consequence of wanton destruction and insensitive re-development as so many of the residents of Canary Wharf are well aware. As usual, the pendulum swings too far.

Michael Goldman, 1 Lyndale Close, SE3.

Privatisation and popularity

From the Chairman

Associated British Ports Holdings

Sir,—Lombard (February 13) asks the interesting question "Why is privatisation so popular with the British people?" and has suggested several possible answers.

There is one point, however, which Mr Kalotay did not bring out in his interesting article. It is that privatisation is highly popular within the industry which has been privatised. The release from rigid and legalistic controls has brought a degree of freedom and scope for enterprise which was previously denied to management and employees of too companies concerned. The new and wide scope for imaginative business development and diversification explains much of the enthusiasm of management for privatisation. This has been matched by the growing commitment of employees at all levels through increased purchases of shares in their newly-privatised companies.

I suspect that the popularity of privatisation within the industries affected does have an impact on public opinion generally.

Keith Stuart, 150 Holborn, EC1.

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MANAGING DIRECTOR STEPS DOWN AT SWEDISH BIOTECHNOLOGY GROUP

Fermenta moves to restore confidence

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA, the fast growing Swedish biotechnology and chemical group, moved last night to halt the sudden crisis of confidence in the company.

Mr Refaat El-Sayed, majority owner of the company, who dramatically admitted last week that he had lied to investors about his academic credentials, is to be replaced as managing director, and the board promised further appointments to strengthen top management.

At the same time, the company announced preliminary profits (after financial items) for 1985 of SKr 320m (\$45m), nearly four times the 1984 figure of SKr 82m. It forecast a further doubling of profits to SKr 700m in 1986 based on the present group including the recently acquired SDS Biotech, the US animal health and agrochemicals company.

Doubts still remain over Fermenta's ambitious pact with Volvo, Sweden's biggest industrial group, according to which Volvo was to support Fermenta's SKr 3.23bn bid for Sonesson and was to sell Fermenta a controlling stake in Pharmacia, the country's second largest pharmaceuticals group. Fermenta said last night that the deal would be pursued "according to the agree-

ment in principle" reached between the two companies.

Volvo, which has been left in an exposed and delicate position by the sudden crisis at Fermenta, reacted more ambiguously last night. In a brief statement it said: "Some of the essential pre-conditions for the agreement in principle between Volvo, Fermenta and Refaat El-Sayed, which was presented on January 7 have changed."

Volvo said its interest in a new structure for the Swedish biotechnology industry remained unchanged, however, and it was willing to continue discussions with Fermenta management "in a positive spirit."

There is considerable prestige at stake for Volvo in the deal, which was negotiated personally by Mr Pehr Gyllenhammar, the Volvo chairman.

Mr Gosta Bystedt, the Fermenta chairman and managing director of Electrolux, denied that any discussions had been held with Volvo about a more far-reaching change of ownership in Fermenta. After the deal as presently envisaged, Mr El-Sayed would still own about 71 per cent of the votes in Fermenta and 34 per cent of the equity.

Mr El-Sayed, the Egyptian-born entrepreneur, took over Fermenta at the beginning of 1982. In the first

year of operations it had sales of SKr 85m and profits after financial items of SKr 4m. He said last night that he was giving up the post of chief executive "at his own request."

He will become full-time deputy chairman of the board dealing with long-term strategy.

His position as chief executive has suddenly become untenable when he admitted that he had lied to investors about his academic qualifications in microbiology. He had claimed a doctorate from the US and a master's degree from Sweden, but both claims proved to be false.

He is to be replaced as group chief executive by Mr Ove Sundberg, already a member of the Fermenta board and for 12 years chief executive of Kamanobel, the Swedish chemicals group taken over by Bofors two years ago.

Mr Bystedt tried to play down the significance of the false information in the Fermenta London information memorandum issued last July, claiming that "it was not a public prospectus" and that the errors "cannot have had material importance."

He was immediately contradicted after the Fermenta press conference, however, by Mr Lars Nyberg, executive vice president and head

of investment banking at Svenska Handelsbanken, which handled the SKr 210m Fermenta private placement.

He said the memorandum had "the same weight, substance and requirements" of any prospectus. "It was certainly bad and we are sorry that a prospectus has been issued with wrong information of this kind."

He made clear that Handelsbanken, as Fermenta's investment banker, had insisted on management changes to try to restore confidence.

"The trouble is that here Refaat is known as Swede of the year and has a lot of sympathy, but abroad he is just an entrepreneur that has given false information in a prospectus. Substantial changes were needed in the company if any money is ever to be raised in the international capital markets and Fermenta needs this access."

Handelsbanken insisted on changes if it was to stand behind Fermenta in writing the international prospectus needed for the bid for Sonesson, which is quoted on the London Stock Exchange.

The Stockholm Stock Exchange said yesterday that it was to launch an inquiry into the trading in Fermenta shares in the weeks leading up to last Friday, when the share

price fluctuated wildly, finally dropping by SKr 41 to SKr 247 per share. Trading in Fermenta stock accounted for around 40 per cent of Stockholm stock market turnover on Friday and since the beginning of the year has accounted for around 15 per cent of total turnover.

Mr El-Sayed denied last night that he had been buying Fermenta shares to try to support the price. Trading in Fermenta shares was suspended yesterday at the company's request pending last night's statement but is expected to be resumed today.

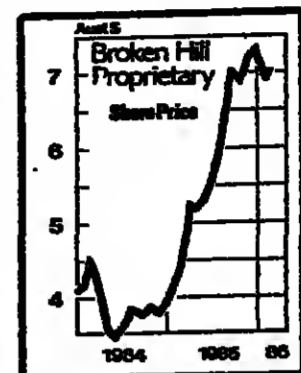
In its preliminary 1985 results, Fermenta said that group turnover totalled SKr 1.6bn against SKr 449m in 1984. Much of the increase was accounted for by the takeover of Pierrel, the Italian fine chemicals and pharmaceuticals company. On top of profits of SKr 380m on financial items, the group had extraordinary income of SKr 249m from the disposal of part of Pierrel.

Turnover in 1986 - excluding an account of the Sonesson and Pharmacia deals - is forecast at around SKr 3bn with profits after financial items of SKr 700m. Additional extraordinary income of SKr 400m is expected from the disposal of parts of the SDS Biotech group in the US.

Markets, Page 44

THE LEX COLUMN

Sir David and Lord Goliath



Imperial was yesterday reserving its options, although it seemed more a matter of protocol than anything else. The Imperial board is no more likely to recommend the Hanson offer than buy back Howard Johnson. That said, in this market anything is possible.

Bell/BHP

It would be an exaggeration to say that Bell Resources' offer document has done much to clear the air around BHP; the intentions of Mr Holmes & Court remain as obscure as ever, and so does the value of a post-bid shareholding in BHP. One basic uncertainty has, however, been removed. Since Bell has now recast its offer into the officially condoned proportional form, it is a great deal more likely that the offer will be permitted to go ahead. That concession to the legislators at least makes Bell's offer a better short-term prop for the BHP share price, at a point when world oil prices are doing nothing to help.

By the same token, Bell's chances of success may be quite a lot less than they would have been under the old partial style of first-come, first-served. By taking at most 30 per cent of any particular shareholding, Bell has accepted that it cannot win BHP merely by scooping up loose offshore holdings - still some 15 per cent of BHP after the recent sell-off. Driven back in this way upon the Australian investors, Bell may face a distinctly harder task to reach its target 30 per cent. Looking at a prospect in which perhaps 7 per cent of their domestic portfolio would be effectively locked up under the control of Bell Resources, Australian institutions may find A\$1.70 resistible.

Much still hangs on the next determination of the import parity price for the Bass Strait crude on which the earnings of BHP, and Bell, depend. If the Government tries to preserve its tax revenue by artificially maintaining the IPP at something near the fictional Saudi Arabian marker price, that would suit BHP pretty well; if current realities are allowed to prevail, that could tip things Bell's way. Should Mr Holmes & Court be eased into the board room at BHP on a weak oil price, after all, he might then find himself in a bit of a jam: increasing the dividend to cover Bell's funding costs might seem in questionable taste with earnings in decline.

Fermenta

The decision by Mr Refaat El-Sayed to step down from chief executive to merely deputy chairman of Fermenta may have something to do with pressure from the heavyweights he has attracted to his board; or perhaps, it is simply that the new post requires only a school certificate rather than a fictional doctorate. It does not matter much. Since Mr El-Sayed controls around 75 per cent of the equity of the company he has built up, the difference in style may only be apparent on the corporate writing-paper.

Much more important will be the effect of the whole affair on Fermenta's share price, when it comes back from suspension today, and on Volvo's attitude to the restructuring of the Swedish bio-chemical industry. The rating of Fermenta paper is crucial for further acquisitions, especially as growth will be harder to come by further down the pharmaceuticals chain from bulk antibiotics. Yesterday's figures may have done something to steady the market's nerves: net income for 1985 multiplied four-fold to SKr 320m while the forecast for 1986 - exclusive of the deal involving Volvo - is for a more modest doubling of sales and income. Fermenta's equity, with the share acquisitions apparently booked at market price stood at 44 per cent of gross assets. As for Volvo, its statement yesterday was markedly less enthusiastic and it is not at all clear that the Fermenta stake in Pharmacia or the Volvo shareholding in Fermenta will go through as easily as when Mr El-Sayed was strolling in the Groves of Academe.

Canadian jeweller in bid for Zale

By Bernard Simon in Toronto

PEOPLES Jewellers of Toronto, Canada's second largest retail jeweller chain, has made an unsolicited bid for Zale, the world's biggest jewellery retailer, valuing the Texas-based group at US\$550m.

Zale's chief executive, Mr Donald Zale, whose family, with members of the Lipshey family, controls 30 per cent of Zale's stock, immediately rebuffed Peoples' offer, saying it was unlikely to be supported by family shareholders.

Zale, based in Dallas, has operations in Canada, the UK, West Germany, France, Switzerland and Japan, operating in Europe mainly under the Christ and Keller names. Peoples, which already owns 15 per cent of Zale's 12.3m common shares, has offered US\$35 in cash for each remaining share plus a new senior preferred share with a face value of US\$5. Holders of Zale's 90,000 preferred shares will receive US\$26 a share in cash plus a US\$4 preferred share. Zale common shares closed at US\$32.4 on the New York Stock Exchange last Friday. Peoples acquired its existing 15 per cent stake in Zale after a four-month battle in 1980 that ended in Zale's controlling families agreeing to allow the Canadian company to hold a maximum of 21 per cent.

Mr Irving Gerstein, Peoples' president, said yesterday that the two companies "share complementary strengths and have compatible strategic objectives." Peoples has retained the New York securities firm Drexel Burnham Lambert to help to finance its takeover bid through privately placed debt and equity.

Zale, with more than 1,500 retail outlets and annual sales of just over US\$1bn, is more than five times bigger than Peoples.

Besides having a 6 per cent share of the highly fragmented US jewellery market, Zale's financial performance has lacked sparkle in recent years, with earnings dropping to US\$31.1m in the nine months to end-December from US\$37.5m a year earlier.

Peoples, which is controlled by members of the Gerstein family, suffered a loss of C\$2.1m (US\$1.5m) in the three months to November 30, compared with a C\$4.9m loss a year earlier. The bulk of the losses were due to Peoples' share of losses suffered by Zale.

Saudi Arabia signs £5bn deal to buy UK military aircraft

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

BRITAIN'S £5bn (\$7.05bn) deal for the sale of 132 military aircraft to Saudi Arabia was signed in Riyadh yesterday.

The deal, the biggest military export order ever won by the UK, will be paid for almost entirely in oil, under arrangements involving Shell, BP and Aramco, the Western oil consortium.

Officials maintain that the deal should have little or no effect on world oil prices since the crude oil for payment will be taken from Saudi Arabia's normal production quota and be absorbed into Shell and BP's networks.

A memorandum covering the whole deal as well as two of 13 distinct contract packages were signed by Prince Sultan bin Abdul Aziz, the Saudi defence minister, and Mr Colin Chandler, head of Britain's Defence Export Services Organisation.

A communiqué issued by the Saudi Government referred for the first time to the sale as worth £2.5bn.

When the agreement was initiated last September, it was said to be worth between £3bn and £4bn, with oil described as an element of the payment arrangements.

Few details beyond the overall price were issued by London or Riyadh yesterday but it is understood

that the contracts signed covered 132 aircraft and basic support for them, said to be worth about £2.5bn. Contracts covering the supply of weapons, a big training programme, construction and improvement of bases, replenishment of spares and future modifications to the aircraft are expected to be signed over the next few months.

The deal covers 48 of the strike version of the multi-national Tornado fighter bomber and 24 of its defence variant. Together, those amount to more than £2bn. Also involved are 30 Hawk advanced jet trainer aircraft (£150-£200m) and 30 Swiss-built Pilatus PC9 basic trainers (£50m).

British Aerospace is prime contractor for the whole deal. The company estimates that about 50 to 60 per cent of the value of the contracts will go to its sub-contractors, including Rolls-Royce, Ferranti, GEC Avionics, Doughty and Plessey.

While the Hawk is an entirely British aircraft, only some 5 to 10 per cent of the value of the Pilatus PC9 will accrue to Britain while the German and Italian aerospace industries will also benefit from the sale of the Tornado. Britain and Germany are responsible for 42.5 per cent each and Italy 15 per cent

of the work on the airframe, engine, and equipment.

All three countries are delighted at the Saudi deal, won against strong French opposition. The sale of the Tornados will help to extend their production lines at least until 1991, when the new European Fighter Aircraft will go into production.

Dominic Lawson adds: British Petroleum and Shell agreed, after some pressure from the UK Government, to take, refine and sell the oil Britain will receive under the terms of the deal.

The two companies already lift 100,000 barrels a day each of "net-back" crude from Saudi Arabia, and when the deal is first mooted, it seemed that the contracts would be sufficient to raise the amount of £5bn over three years.

But the recent precipitate fall in the price of crude oil means BP and Shell will need to augment their combined lifting of net-back crude to 275,000 b/d to meet the terms of the deal. A net-back price is calculated on the realised price of crude oil products after deducting transport and refining costs, which allows purchasers an agreed margin.

Saudi officials say the oil will come out of the kingdom's existing Opec quota of 4.35m b/d.

UK anger over rush to sell BL units

By Peter Riddell in London

THE BRITISH Government is seeking to complete negotiations "very soon" over the future of the commercial vehicles operations of state-owned BL, Mr Paul Channon, Trade and Industry Secretary, said yesterday.

Mr Channon, under strong criticism from Labour MPs and some backbench members of his own Conservative Party, disclosed in the House of Commons that Aveling Barford, a former BL subsidiary that produces construction and other heavy equipment, had expressed an interest in Land Rover and Leyland Buses.

He also confirmed that Lonrho, the UK-based overseas trading group, had been in contact with BL about Land Rover, while Volvo of Sweden had expressed an interest in Leyland Buses, where a management buy-out has also been proposed.

Those approaches are in addition to the talks, which the Government says are at "an advanced stage," with General Motors over the purchase of Leyland Vehicles and Land Rover and with Britain's Laird group over the future of Leyland Buses.

Mr Channon said he was listing only the companies that "are willing to have their interests in the businesses made public." It was later officially indicated that other companies had been in contact with BL.

Throughout 25 minutes of questioning, Mr Channon repeatedly emphasised the need for urgency, given the impact that continuing damaging uncertainty might have on the companies concerned. He said it was in everybody's interest that "these negotiations should come to an end as soon as they can be concluded."

Mr John Smith, Labour's trade and industry spokesman, who raised the issue in an emergency question, claimed in response that a deal with General Motors was all but agreed and delivered. He asked Mr Channon why, if several companies were interested in acquiring parts of BL, it did not make sense for BL to retain and develop those assets in the British interest.

As in the argument over the future of Austin Rover a fortnight ago, Mr Channon was again on the defensive in face of criticism both from Mr Smith and from his own side. A number of Conservatives representing England's West Midlands, heartland of the motor industry, urged him to separate Land Rover from the rest of the suggested deal and to consider a flotation like that of Jaguar.

Kenneth Gooding writes: BL confirmed last night that it had received a number of approaches since the Government announced on February 3 that talks for the sale of Land Rover and Leyland Trucks to GM had reached an advanced stage.

David Thomas, Labour Staff writer: Mr Mick Murphy, national automotive secretary in the Transport and General Workers' Union, yesterday challenged the Government to refer GM's proposed acquisition of Leyland Vehicles and Land Rover to the Monopolies and Mergers Commission.

News analysis, Page 12

Philippines visit

Continued from Page 1

International Monetary Fund and to stabilise the external value of the peso, which on one day last week slipped 3.65 per cent to 20 to the US dollar, its lowest official level ever.

Mr Habib, appointed by President Ronald Reagan last week, met Mr Marcos for two hours in the wake of his proclamation as President by the National Assembly on Saturday. Mrs Aquino, who insists she won the February 7 election, was fresh from a huge rally in Manila on Sunday.

Mr Habib offered no formal comments on his talks, but Mr Marcos said later that the US envoy was "here merely to make observations, especially... on the matter of violence and fraud" in the election. Mr Marcos said he had given Mr Habib "pictures and sworn statements."

Mr Marcos said that the US was not interested in "telling us how to run our affairs," and that he was not in the Philippines to pass judgment on the elections.

Mrs Aquino met Mr Habib for

nearly an hour and, according to a statement from her office, "repeated and stressed her position that the crisis will only be resolved by swift and orderly transfer of power to the Aquino presidency that the Filipino people had chosen overwhelmingly at the polls."

It went on: "Mrs Aquino and Mr Salvador Laurel (her vice-presidential running mate) impressed on Mr Habib their determination to apply increasing pressure until the popular will expressed last February 7 is vindicated and respected at the earliest possible time."

It was too early yesterday to assess the impact of Mrs Aquino's call on her supporters on Sunday to boycott government banks, government newspapers and the products of San Miguel Corporation, the food and beverage giant controlled by Mr Eduardo Cojuangco, a close Marcos associate who is also Mrs Aquino's cousin.

San Miguel's shares fell from 14 pesos to 11.50 pesos in active trading yesterday.

Political test in Portugal

Continued from Page 1

ruled by a two-thirds parliamentary majority.

In practice, only a small part of the President's theoretical powers has ever been put into use. If the presidency has tended to take a high profile, it is mainly because of the low prestige of a parliament, wracked by chronic instability.

Mr Soares, like his presidential rival, Mr Freitas, backs electoral reform with the aim of restoring its prestige by making members of parliament more directly answerable to their constituents.

He is, he always says, a parliamentarian at heart. Gen Eanes operated on the principle that, elected by a clear majority, he represented a majority in the country, often better than the Government. Mr Soares rejects this idea of a "presidential majority" and promises to be "the President of all the Portuguese." Half of Portugal waits to be convinced.

Kohl faces criminal probe

Continued from Page 1

that he received DM 155,000 from Flick, and claimed that the money had been passed on at once to the CDU treasury. He denied taking the contested DM 55,000. Mr Schily, however, argues that the two payments were made to Mrs Juliana Weber, the Chancellor's long-serving private secretary.

The second accusation of perjury relates to the July 1985 hearing in Mainz at which Mr Schily accuses Mr Kohl of lying when he denied knowing that a charity foundation to which Flick money was directed was, in fact, a front organisation set up to allow industrial donors such as Flick to evade taxes on their contributions.

The Bundestag committee has completed its work, with its govern-

ment majority insisting that the funding from Flick was not a serious threat to normal democratic politics. But the opposition Social Democrats and Greens are likely to deliver a minority report, bitterly critical of the CDU and its coalition allies.

Throughout the affair, Mr Kohl has argued that there was nothing intrinsically wrong in political parties taking money from industry, and that only the procedures involved needed to be tidied up. Asked about the possibility of charges against himself late last week on TV, he said the whole affair was carefully orchestrated "muddling" ahead of the elections. He dismissed all talk of resignation as hypothetical.

World Weather

Area	Temp	Wind	Cloud	Pres	Humid	Area	Temp	Wind	Cloud	Pres	Humid
Algeria	18	10	10	1010	65	London	12	10	10	1010	65
Amman	17	10	10	1010	65	Madrid	14	10	10	1010	65
Baghdad	17	10	10	1010	65	Moscow	14	10	10	1010	65
Bombay	17	10	10	1010	65	Paris	14	10	10	1010	65
Buenos Aires	17	10	10	1010	65	Rome	14	10	10	1010	65
Calcutta	17	10	10	1010	65	Stockholm	14	10	10	1010	65
Cairo	17	10	10	1010	65	Switzerland	14	10	10	1010	65
Chongqing	17	10	10	1010	65	Taipei	14	10	10	1010	65
Copenhagen	17	10	10	1010	65	Tokyo	14	10	10	1010	65
Dhaka	17	10	10	1010	65	Washington	14	10	10	1010	65
Hankow	17	10	10	1010	65	Zurich	14	10	10	1010	65
Hong Kong	17	10	10	1010	65						
Kobe	17	10	10	1010	65						
London	12	10	10	1010	65						
Lyons	14	10	10	1010	65						
Manila	17	10	10	1010	65						
Medan	17	10	10	1010	65						
Osaka	17	10	10	1010	65						
Shanghai	17	10	10	1010	65						
Singapore	17	10	10	1010	65						
Taipei	17	10	10	1010	65						
Tokyo	17	10	10	1010	65						
Yokohama	17	10	10	1010	65						

The good news is
FERRANTI
Selling technology



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday February 18 1986



Italtel share issue hint as earnings rise 60%

BY ALAN FRIEDMAN IN MILAN

ITALTEL, Italy's state-owned telecommunications equipment company, lifted 1985 profits by 60 per cent to 1,400 billion (250m), according to its managing director, Mrs Maria Bellisario.

The preliminary profit figure, which represents only a modest recovery following heavy losses in 1981 and 1982, was struck on consolidated Italtel turnover of L1,230bn, virtually unchanged on 1984.

Mrs Bellisario said yesterday that positive results in 1985, 1984 and 1985 meant conditions now existed - under the rules of the Consob stock market authority - for a partial privatisation share issue for Italtel on the Milan bourse.

Her statement, however, came in the wake of recently announced plans under which IRI-Stet, the Italtel state parent company, will set up a joint company with the Fiat group to study the feasibility of a partial or total merger of Italtel and Telettra, the Fiat telecommunications subsidiary.

The joint company - which would be 48 per cent owned by Fiat, 48 per cent by Stet and 4 per cent by Mediobanca, the merchant bank - has been told to explore plans for a rationalisation of the Italian telecommunications industry through a union between state (Italtel) and private (Telettra) companies.

Mrs Bellisario said a Fiat-Stet accord, from an industrial point of view, would be a "valid outcome". But she added: "Our profitability, our successful technology and the fact that we are in a position to go

to the stock market means that we and our shareholders have many options which need to be taken into consideration in the current merger talks."

Fiat said in Turin yesterday it had no comment on the possibility of an Italtel share issue. Stet, meanwhile, has given no indication that it is likely to decide on a share issue for Italtel.

It is believed, however, that mention of Italtel's ability to raise cash on the stock market may have been designed to put Fiat on notice that the partial or full merger of Italtel and Telettra would need significant financial compensation from Fiat's Telettra, which had a 1985 turnover of L475bn, less than half that of Italtel.

When asked which was Italtel's greater priority - a stock market debut or a joint venture with the Fiat subsidiary - Mrs Bellisario said: "Between one solution and the other, the plan which raises more cash for Italtel should be the priority."

Aside from discussion of Italtel's ability to go to the bourse - which in the context of Italian state industry is in part a political issue - Mrs Bellisario also released other preliminary results for last year. Italtel group debt fell 1,000bn last year to L510bn, exports represented 5 per cent to 6 per cent of group turnover and Sip, the Italian state telephone company, bought about 75 per cent of Italtel's 1985 production.

The Italtel workforce at the end of 1985 totalled 18,040, a drop of 1,414 year-on-year. The 1985 level is

a reduction of 10,000 workers since 1980 and Mrs Bellisario said that Italtel hoped to bring the workforce down to about 15,000 by 1990.

Last year Italtel spent L134bn on research and development, equal to 11 per cent of group revenues. The five-year plan for 1986-1990 calls for R&D spending of L1,100bn. In 1985 spending on equipment was 60bn. The five-year plan to 1990 will total L350bn.

The 1985 turnover of L1,230bn included L220bn in the field of telecommunications, a rise of 30 per cent on 1984. Sales of the UT line of telephone exchanges were quadrupled last year to L1,600bn.

Commenting on the technical co-operation agreement reached between four of Europe's largest telecommunications companies - 13 months ago (Cit-Alcatel of France, Siemens of West Germany, Plessey of the UK and Italtel), Mrs Bellisario said: "The first results have been positive and the accord is being extended to include new products." She also said the venture Italtel undertook in 1982 with GTE and Telettra to build a range of digital exchanges "has reached its objectives."

While Italtel's 1985 turnover was static - which was attributed to a static level of Italian state investments in telecommunications equipment and a drop in the price of electronics products - Mrs Bellisario said the Italtel workforce produced L135bn of turnover on a per capita basis, against L57.9m in 1984.

Gloomy result for People Express

By William Hall in New York

PEOPLE EXPRESS, the rapidly growing, cut-price US airline which warned Wall Street last month that its losses would be higher than expected, lost \$38.2m in the final quarter of 1985.

The fourth-quarter loss led the group, which started scheduled flights from its Newark headquarters in April 1981, to report a 1985 net loss of \$27.5m, or \$1.60 a share, on revenues of \$677.9m. In 1984, the airline reported a \$1.6m profit, or \$0.16 a share, after taking a \$14.5m one-time gain on the sale of an aircraft.

People Express revenues rose by two thirds last year and, following its acquisition of Frontier Airlines last year, the group now ranks among the top five US airlines. Its rapid growth is the most visible example of the new generation of airlines which have been spawned by the deregulation of the US airline industry.

However, Wall Street has been concerned that the company might have difficulty adapting to its rapid growth, which has been fuelled by recent acquisitions, and its emergence as a major US airline. People Express shares, which are quoted on the Nasdaq over-the-counter market, fell by \$4 to \$24 following the release of the 1985 results. During the past 12 months the shares have traded between a high of \$154 and a low of \$74.

Mr Donald Burr, founder and chief executive of People Express, said the fourth quarter was usually the group's weakest period and the latest figures were depressed by the acquisition costs of Frontier and sharply higher interest expenses.

Net interest costs for the year rose by \$22m to \$55m. This more than offset \$13.1m rise in operating profits in 1985 to \$33.5m. Mr Burr said he was "extremely pleased" with the group's success in integrating Frontier into the People Express system and he anticipated substantial progress in 1986 in reducing Frontier's operating losses.

Reynolds boosted by sales

By William Hall in New York

R. J. REYNOLDS Industries, the big US tobacco and consumer products group, yesterday announced a 19 per cent increase in 1985 earnings from continuing operations to \$1bn, or sales which rose 28 per cent to \$16.6bn.

Reynolds' \$4.9m acquisition of Nabisco Brands last summer had a "positive impact," adding 4 cents a share to the group's earnings. However, the group warned that the acquisition was expected to lead to some earnings dilution in the current year, "with the most pronounced impact in the first quarter."

Mr J. Tylce Wilson, Reynolds' chief executive, said the record results reflected good performance by all the corporation's businesses. Higher sales and improved margins in its domestic tobacco business, international tobacco volume increases, and continued strong performance from its Del Monte unit, were the main factors pushing profits higher.

The impact of the Nabisco operations is seen in the group's fourth-quarter sales of \$5.53bn. Tobacco's share in the total fell from 39.9 per cent in the final quarter of 1984 to 41.6 per cent in the latest quarter. However, while food and beverage sales now account for the major part of Reynolds' turnover, tobacco profits still accounted for more than half the group's earnings from continuing operations.

Reynolds' earnings per share from continuing operations rose 28.6 per cent to \$3.00 a share in 1985. The number of shares outstanding in 1985 averaged 252.9m, compared with 250.5m the previous year, and the group estimated its share repurchases added 28 cents to full-year per-share earnings.

The group's tobacco sales rose by 2.8 per cent in 1985 to \$8.1bn and earnings from continuing operations rose 13.6 per cent to \$1.48bn. The group said its domestic tobacco operations reported an increase in its share of the US cigarette market in 1985 based on consumer data.

Food and beverage sales rose 66.4 per cent to \$8.5bn in 1985 and earnings from continuing operations rose 96.6 per cent to \$733m.

RETURN TO EUROPEAN ROOTS AS US PLUG IS PULLED ON SYSTEM 12

Why ITT is ringing the changes

BY PAUL TAYLOR IN NEW YORK

ITT's decision to abandon efforts to adapt its flagship telecommunications product, the System 12 digital telephone exchange switch, to US standards, highlights the New York-based conglomerate's renewed dependence on Europe for its manufacturing base.

When Mr Rand V. Araskog, ITT's chairman and chief executive, announced the System 12 decision late last week - a move that led to establishing a pre-tax \$100m reserve to cover the costs of winding down the US System 12 operations and plunging the group into a \$15m fourth-quarter loss - he repeatedly emphasised that ITT would now be free to concentrate its telecommunications resources in Europe.

ITT, like many other European and Japanese rivals, had set its sights on becoming the "third supplier" of digital switching equipment to the newly-divested independent Bell telephone operating companies in the US.

The US market is dominated by AT&T and Canada's Northern Telecom. But challengers reasoned that, in the wake of the Bell system break-up, they had an opportunity to grab a slice of a fast-moving marketplace estimated to be worth about \$8.5m a year or about a third of the global total.

Armed with its technologically advanced System 12 switch, developed in Europe at a cost of about \$1bn, ITT appeared to have a head start on some of its rivals. To capitalise on this base ITT spent about \$150m during two years attempting to adapt the switch to US standards. But, for ITT at least, time ran out.

"When you are crossing a river you get to the middle and decide whether or not it's going to be worth it, or whether to go back to where you came from, which in our case is Europe," says Mr Araskog.

"We clearly decided that the US market, as it now looks to us, is not worth the effort and that a renewed emphasis on Europe and the worldwide market is in order because we will be able to take human resources from our activities in the

US and utilise them on our European contracts."

The decision for Mr Araskog and ITT was clearly a difficult one. The ITT chairman is angered by some press suggestions that adapting System 12 to the US market was his "pet project." Nevertheless, he accepts that the effort did have a "high priority."

What happened to change this strategy? First, ITT, like other competitors, discovered that adapting European switches to the demands of the US marketplace was more difficult than had been expected. Not only were hardware and software changes required, but the process also required re-writing huge volumes of documentation.

Even more important, the now independent Bell operating companies moved more quickly than ITT expected in the wake of the Bell system break-up to buy new digital network equipment. "We thought they would take as much advantage as possible of their current base and build upon it gradually," says Mr Araskog. Instead, he says, the local Bell telephone companies "moved out" rapidly with new equipment orders, particularly last year.

Effectively, this created a key "window of opportunity" for ITT, which had planned to deliver its digital switch in late 1987 or 1988, the window was rapidly slamming shut.

"Suddenly we had a very different view as to what was going to be available to us to get margin," says Mr Araskog. The market realities began to dawn on ITT early last autumn. To back up its own observations ITT employed a team of management consultants to prepare a report on US sales prospects. That report, prepared by Booz, Allen and Hamilton, confirmed ITT's view that "being number three in the US market in the time period we were talking about simply was not worth it."

The immediate financial cost to ITT of the decision to abandon the effort will not be particularly high.

Most of System 12's research and development costs have been written off along the way. The \$100m pre-tax reserve set up to cover the costs of the final decision to pull the plug on the project will amount to about \$60m to \$70m after-tax.

The reserve will cover, among other items, asset disposals, contract losses and cancellations, and severance benefits for the 1,800 workers in four ITT plants across the US. About 100 of these employees are likely to be transferred to System 12 operations in Europe. According to Mr Araskog about 30 per cent to 40 per cent of the US R&D effort on System 12 has already been applied to European operations.

Mr Araskog also insists that the move will have little long-term impact on ITT's bottom-line results. "We certainly do not regard this as a strategic failure at all," he says. "The US (telecoms market) has never contributed significant profit margins to ITT." As such, he insists that, while ITT would have liked a share of the US digital switch market, it is not essential to the group's overall strategy.

While Wall Street bid ITT's share price up ahead of the formal announcement ending the US System 12 project - reflecting the view that ITT should "cut its losses" in the US market - one of the major challenges Mr Araskog and ITT will face is to reassure European and other non-American System 12 customers that ITT remains committed to developing the switch.

By re-emphasising the European, and European export markets for System 12, which Mr Araskog still claims is a technologically superior product, ITT believes it can offset any negative implications from its US decision.

Mr Araskog also insists that the group does not need the US market to justify the heavy overall System 12 investment. "We were never expecting a large part of ITT's (System 12) revenues to come from the US," he says.

Because ITT paid for European System 12 R&D out of profits from

older switching-equipment sales, Mr Araskog says contract deliveries generate bottom-line profits immediately. So far, ITT says System 12 domestic deliveries are profitable in three European countries. "The investment will be justified," says Mr Araskog. "We did not expect to get 12 million lines on order and I think, before we are done, we will get 20 million lines - that will fully justify the investment."

By concentrating telecommunications equipment resources in Europe ITT hopes it will be able to meet its delivery schedules on time. In the past, ITT has accepted it has fallen behind on some deliveries schedules although the group has consistently and fiercely denied it has lost any orders as a result.

What is immediately clear is that the decision to abandon the US System 12 project will re-emphasise ITT's European manufacturing roots. Roughly half ITT's \$20bn annual sales and half its profits are generated by ITT's US service operations.

But ITT's manufacturing operations, particularly its industrial technology group with annual sales of \$5bn, are already heavily dependent on Europe.

"ITT started out almost as a European company," says Mr Araskog. The System 12 decision, coupled with ITT's almost completed \$1.7bn asset disposal and restructuring programme, reinforce this European manufacturing bias.

Ultimately, it is this transatlantic strategy - which redresses the balance of ITT's businesses - upon which Mr Araskog is likely to be judged. For the moment the ITT chief is still winning high marks from Wall Street for "hitting the bull's eye" while also coming to grips with some of the problems he inherited from ITT's massive expansion during the era of Mr Harold Gennep.

Development of System 12 in Europe was, as Mr Araskog notes, always a "more difficult, higher-risk" approach than developing a less sophisticated "me-too" product. But, like the US "foray" Mr Araskog says he has no regrets.

Bancaire plans 1-for-8 rights issue to raise FFr 782m

BY DAVID MARSH IN PARIS

COMPAGNIE BANCAIRE, the specialist French credit bank, yesterday announced a 23 per cent rise in net consolidated 1985 profits to FFr 560m (\$81m) and a one-for-eight rights issue to raise FFr 782m.

The bank, 45 per cent owned by the nationalised Paribas financial group, is to sell the new shares at FFr 600 each, well below the current stock market value of more than FFr 1,000.

The rights issue represents the first time Compagnie Bancaire has gone to the bourse for equity for 24 years. Paribas was taking up its rights in full, reducing to FFr 430m the residual amount to be raised.

The issue, to be made between

February 24 and March 15, will raise the bank's nominal capital to FFr 1,170m from FFr 1,040m.

At present bourse levels, Compagnie Bancaire - which was nationalised in 1983 because it did not have large enough deposits - has a capitalisation of more than FFr 10bn.

Commenting on last year's results, the bank said total credit volume rose 8 per cent to FFr 101bn at the end of the year. The bank acts as a holding company for a range of subsidiaries engaged in specialist areas such as lending to individuals and small and medium-sized companies, as well as arranging property loans and leasing deals. It has al-

so built up business in savings instruments and insurance.

Savings collected by its insurance subsidiary, Cardif, amounted to FFr 3.5bn last year.

Overall, Compagnie Bancaire profits, including interests held by affiliates, rose 20 per cent to FFr 1,060m. In addition to these current earnings, the bank made FFr 120m profits from securities transactions, of which FFr 109m was due to the holding company.

It said the funds from the capital increase will be put towards new expansion opportunities including extension of its credit business abroad, as well as development of insurance and savings instruments.

Deutsche unit likely to make big provisions

By Jonathan Carr in Frankfurt

EUROPEAN Asian Bank (Eurasbank), which is 60 per cent owned by Deutsche Bank, will need to set aside substantial risk provision against possible business losses for the second consecutive year.

Deutsche Bank declined to comment on reports of further difficulties at Eurasbank, which is based in Hamburg, saying the figures for 1985 were still under scrutiny and would be made public in a few months.

However, it is understood that already the need for renewed risk provision is apparent, not least because of the bank's involvement in economically depressed Singapore.

For 1984, Eurasbank and its owners had to set aside a large sum believed to have been around DM 400m (\$171m) - in cover possible losses, notably on business in Taiwan.

Apart from Deutsche Bank, Eurasbank's owners are Creditanstalt Bankverein of Austria (23 per cent), Société Générale de Banque de Belgique and Amsterdam-Rotterdam Bank of the Netherlands (each 9 per cent).

Jyske Bank plans to raise DKr 110m

By Hilary Barnes in Copenhagen

JYSKE BANK, based in Jutland, plans a DKr 110m (\$12.7m) rights issue after increasing pre-tax profits from DKr 55m to DKr 1.6m in 1985. An unchanged 20 per cent dividend is proposed.

The latest figures include an unrealised gain in the securities portfolio of DKr 25m. Operating profits increased by 12 per cent to DKr 415m, but the bank allocated DKr 60m for depreciation and had less provisions.

Mr Poul Norup, chief executive, said the unusually large provisions reflected a DKr 5bn increase in loans and guarantees.

Liechtenstein bank sees rosy future after debut

BY JONATHAN CARR IN FRANKFURT

BANK in Liechtenstein (Frankfurt) had a profitable first year of operation in 1985 and is doubling its capital to DM 20m (\$8.5m) to prepare for another period of strong business growth.

With total assets at the end of last year of DM 121m, the bank produced a net profit of DM 579,000 of which DM 500,000 is being put into open reserves.

The bank is a wholly-owned subsidiary of Bank in Liechtenstein (Vaduz) which has been expanding strongly abroad in the last few years, notably in Britain and the US.

The Frankfurt-based operation

concentrates on portfolio management and investment advice for institutional customers in Germany and abroad. The emphasis in its first year has been given to building up economic and business research facilities.

Much of the business boost in the first year has come from customers in Britain and the US, keen for greater investment opportunities in West Germany.

Despite the current consolidation of the German stock market, this demand is expected to be strong in 1986, too, and the bank plans to set up a capital investment company in the course of this year.

Petrofina in Tokyo link

BY PAUL CHEESERIGHT IN BRUSSELS

PETROFINA, the international oil and chemicals group, yesterday became the second Belgian company in three months to announce a co-operation agreement with Sumitomo, the Japanese trading house.

Although no firm plans have yet been laid, it is expected that the two groups will seek collaboration and joint ventures in the petrochemicals sector.

The emphasis in the earlier agreement, involving Société Générale de Belgique, the country's biggest industrial and financial hold-

ing group, and Sumitomo, was on the non-ferrous metals sector.

Petrofina's collaboration with Sumitomo will start with the exchange of ideas between respective group experts and seems likely to concentrate on product processing and the development of new products.

On the Petrofina side, the move fits into the increasingly emphatic trend of expansion in petrochemicals.

Last week the group bought the 49.8 per cent stake in an Antwerp refinery jointly owned with Phillips Petroleum.

Impala hit by strike

BY KENNETH MARSTON IN LONDON

SOUTH AFRICA'S Impala Platinum Holdings says the disruption to operations caused by the strike which began on January 1 has resulted in a loss of R45m (\$15.5m) in attributable earnings. Results for the full year to June are not expected to be significantly better than those of 1984-85.

Meanwhile, results for the first half of the current year show an advance in net profits to R101.5m, or 177 cents per share, from R50.2m

a year ago. The total for the year to last June was R144.4m. The interim dividend is unchanged at 35 cents.

Impala has proceeded with its expansion programme in line with rising demand for platinum group metals. During the strike around 23,000 employees either chose to re-

maining has now been successfully completed

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

14th February, 1986



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February 1986



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(Incorporated under Public Law in the Federal Republic of Germany)

A\$30,000,000

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Company Announcement

In the report for the quarter ended 31 December, 1985, shareholders were advised that sporadic outbreaks of labour unrest during December had adversely affected underground production. Recent labour unrest, most notably in the vicinity of Cooke 2 Shaft, has further adversely affected underground production. It is expected that the reduction in underground tonnage will be largely offset by the treatment of low grade material from surface sources. The recovered grade will as a result be significantly lower and is expected to average about 4.0 g/t for the quarter. It is hoped that underground production will have returned to normal by the end of the second quarter of this year.

By order of the Board

Johannesburg
17th February, 1986

A FINANCIAL TIMES SURVEY

EXHIBITIONS AND CONFERENCES

Monday, March 3, 1986

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Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 14th February, 1986 to 14th May, 1986, the Notes will bear interest at the rate of 12 1/4 per cent. per annum. Coupon No. 3 will therefore be payable on 14th May, 1986 at £1,569.69 per coupon from Notes of £50,000 nominal and £156.97 per coupon from Notes of £5,000 nominal.

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In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 18, 1986 to May 19, 1986 the Notes will carry an interest rate of 8 1/4% per annum and the Coupon Amount per U.S.\$10,000 will be U.S.\$207.81.

February 18, 1986

By: Citibank, N.A. (CSSI Dept.), Agent Bank



Oil and Natural Gas Commission

U.S. \$150,000,000

Guaranteed Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 8 1/4% and that the interest payable on the relevant Interest Payment Date August 18, 1986, against Coupon No. 3 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$14.79.

February 18, 1986, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

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February 18, 1986, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

MANUFACTURERS HANOVER OVERSEAS CAPITAL CORPORATION

US\$ 150,000,000

Guaranteed Floating Rate Subordinated
Notes due August 1996

Notice is hereby given that the interest payable for the interest period 30th August, 1985 to 28th February, 1986, calculated up to and including the 18th February, 1986 will be \$412.63 per \$10,000 coupon and \$2,063.15 per \$50,000 coupon.

18th FEBRUARY, 1986

MANUFACTURERS HANOVER LIMITED
AGENT BANK

INTL. COMPANIES & FINANCE

Bloedel to cut stake in Dutch paper mill

BY LAURA RAUN IN AMSTERDAM

MACMILLAN BLOEDEL, the Canadian paper products company, is almost halving its 48 per cent stake in Royal Dutch Paper Mills to 25 per cent with the sale of 1.33m shares through a European equity offering.

The Dutch company said in a statement yesterday that Macmillan Bloedel was selling part of its shareholding to generate cash with which to pay off debt. The Canadian company has been a major shareholder since 1986.

The equity offering will be made through a banking syndicate led by Persoon, Helderling & Persoon and including Amsterdam-Rotterdam Bank and Algemene Bank Nederland.

Royal Dutch Paper Mills also an-

nounced it would trim its 1985 dividend to F1 5 n share from F1 7 the previous year, in line with expectations. The Maastricht-based company more than doubled its net profit to F1 117.3m (\$44.3m) last year from F1 63.4m in 1984.

Schering plans to sell fine chemicals division

BY LESLIE COLT IN BERLIN

SCHERING, the West German pharmaceutical and chemicals group, wants to sell its loss-making fine chemicals division, created in 1982.

The Berlin-based company said it had completed a "strategic reassessment" and had decided to concentrate corporate effort on its four traditional divisions.

Schering had record turnover last year of DM 5m (\$2.1bn) and improved profits. It said Morgan Stanley had been retained as its financial adviser on the divestment.

The company's fine chemicals division had a turnover last year of DM 304m, the smallest in the group. The division consists of Diamalt in Munich and its subsidiary, SFC, in Paris, which had combined losses of about DM 100m in the past five years.

The division also includes Nepera chemical company in Harrison, New York.

Diamalt was badly hit by compe-

tition from China for its amino acids while Nepera suffered weak prices and a fall in sales for its important vitamin B3.

Schering said it preferred a "complete divestiture" but was open-minded on other alternatives such as joint ventures, mergers or partial divestitures.

The company wants to concentrate on research in its four main divisions and is giving priority to expansion in the US which out-ranks all other markets, including West Germany, in sales.

The fine chemicals division was formed to concentrate Schering's biotechnology activities. The company said it had no intention of reducing these and that microbiology would be expanded at its West German plants in Bergkamen. Research would be carried out in West Berlin at a newly created institute for gene technology.

US. quarterly results

JRT GROUP Advertising, public relations				PETRO-LEWIS Oil and gas			
Fourth quarter	1985	1984	\$	Fourth quarter	1985	1984	\$
Revenue	102.8m	143.2m		Revenue	22.2m	54.2m	
Net profit	2.1m	5.7m		Op. net profit	2.8m	1760.000	
Net per share	0.88	0.63		Op. net per share	0.04	10.30	
Year				Six months			
Revenue	588.2m	518.2m		Revenue	102.2m	108.5m	
Net profit	18.5m	28.3m		Op. net profit	11.2m	12.3m	
Net per share	2.00	2.34		Op. net per share	10.21	10.68	
				Loss			
MORRISON-KNOX Construction, shipbuilding				NASHUA Office equipment			
Fourth quarter	1985	1984	\$	Fourth quarter	1985	1984	\$
Revenue	508.2m	528.2m		Revenue	180.1m	148.2m	
Net profit	12.2m	18.2m		Net profit	5.2m	2.9m	
Net per share	1.22	1.28		Net per share	1.17	0.84	
Year				Year			
Revenue	2,122m	2,028m		Revenue	740.1m	648.2m	
Net profit	41.5m	43.8m		Net profit	18.2m	12.3m	
Net per share	3.65	4.12		Net per share	1.17	0.84	

NOTICE OF REDEMPTION REPUBLIC OF AUSTRIA

US\$50,000,000 14 1/4% Bonds due 1992

NOTICE IS HEREBY GIVEN that, pursuant to Condition 3 (a) of the Bonds, Citibank, N.A. as Fiscal Agent, has selected by lot for redemption on April 1, 1986 US\$50,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount, together with accrued interest to the date fixed for redemption. Bonds selected by lot for redemption are as follows.

Bonds Denominated US\$5,000

Outstanding Bonds bearing serial numbers ending in any of the following two digits:

01	03	04	08	09	10	19	20
41	75	77	78	84	89	90	92

also Bonds bearing the following serial numbers:

223	1223	1923	2523	3423	4023	4623	5323
623	1423	2023	2823	3523	4123	4723	5423
723	1523	2123	2923	3623	4223	4823	5523
823	1623	2223	3023	3723	4323	4923	5623
923	1723	2323	3123	3823	4423	5023	5723
1023	1823	2423	3223	3923	4523	5123	

Bonds Denominated US\$1,000

Outstanding Bonds bearing serial numbers ending in any of the following two digits:

00	09	11	20	23	26	35	38
54	57	59	64	68	70	72	87
88	91	95	99				

also Bonds bearing the following serial numbers:

101	1330	2001	2730	3401	8301	9101	9630
201	1401	2101	2801	3430	8401	9130	9701
330	1430	2130	2901	3460	8501	9201	9730
301	1501	2201	2930	3490	8530	9230	9801
401	1601	2301	3001	3501	8601	9301	9830
430	1630	2330	3030	3530	8701	9330	9901
501	1701	2401	3101	3560	8801	9401	9930
530	1730	2501	3130	3590	8901	9430	
1201	1801	2530	3201	3601	8930	9501	
1230	1901	2601	3230	3630	9001	9530	
1301	1930	2701	3301	3660	9030	9601	

Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on April 1, 1986 should be detached and presented for payment in the usual manner. On and after April 1, 1986 interest on the Bonds will cease to accrue and unmatured coupons will become void.

The following Bonds drawn for redemption in 1985 have not yet been presented for payment:

Bonds Denominated US\$5,000

21 74 819 858 953

Bonds Denominated US\$1,000

257

Outstanding after April 1, 1986 US\$38,000,000

February 18, 1986

By Citibank, N.A. (CSSI Dept.)

London, Paying Agent

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NEW ISSUE

14th February, 1986

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Sanukoto Trust International Limited

Union Bank of Switzerland (Securities) Limited

Swiss Bank Corporation International Limited

INTL. COMPANIES & FINANCE

Bell gives revised BHP bid terms

BY LACHLAN DRUMMOND IN MELBOURNE

BELL RESOURCES, controlled by Mr Robert Holmes a Court, yesterday revealed its detailed bid terms for Broken Hill Proprietary (BHP), Australia's largest company, with the price unchanged from the originally announced A\$770 a share but with the offer seeking 50 per cent of each remaining shareholding, or up to 500m shares.

Bell had said it was to bid for 250m BHP shares in a so-called pro rata offer but now is seeking a fixed proportion of each holding—in line with proposed new legislation—with a minimum acceptance condition of 250m shares.

However, Bell has made it a condition of the bid that its maximum cash outlay is A\$2bn (US\$1.4bn) and that the maximum amount of paper issued, under its alternate bid of one

Bell share plus A\$2.50 cash, is 250m shares.

The result of these conditions is a maximum acceptance of 42m shares, representing almost 35 per cent of capital valued at A\$3.3bn, which with existing share entitlement would give the wider Bell group almost 53 per cent of BHP.

However, Bell's statistician has calculated that the likely outcome is for 20 per cent to 25 per cent of capital to accept the bid, taking the Bell group holding to between 39 per cent and 44 per cent.

In lodging the formal takeover document, Mr Holmes a Court noted yesterday that complete success for the bid in terms of acceptance meant that it failed because of the ceilings imposed on cash and the number of

shares to be issued. But the statistical assumptions suggest these limits will not be pressed, limits which in any case appear as flexible as Bell's remaining legal conditions on the bid would make them.

The document revealed that Standard Chartered Bank or the UK has provided the initial A\$2bn credit line for the offer, subject to Bell gaining acceptance for 250m shares, it retaining at least a 35 per cent voting share — of BHP's capital, that Bell Resources pledged its BHP holding to the bank and that Bell Group, its immediate parent, inject A\$24m to Bell Resources to buy BHP shares.

Mr Brian Loton, BHP managing director, said the bid was risky to shareholders as they had to consider what would happen to the value of the re-

maining 50 per cent of their shareholdings. He declined to detail any initial defensive moves but said directors would have in their minds that the bid was a "completely inadequate proposal" to transfer control to one man.

Mr Loton pointed to stockbroker research showing a valuation of between A\$11bn and A\$18bn on BHP, which compares with the A\$9.5bn value at the A\$7.70 a share offered by Bell.

Bell has retained most of the originally announced conditions on its bid—including an absence of material changes in the oil pricing formula in Australia and in changes to takeover legislation—although Mr Holmes a Court said later these would be progressively waived as the bid progressed.

Receiver appointed for Sigma International

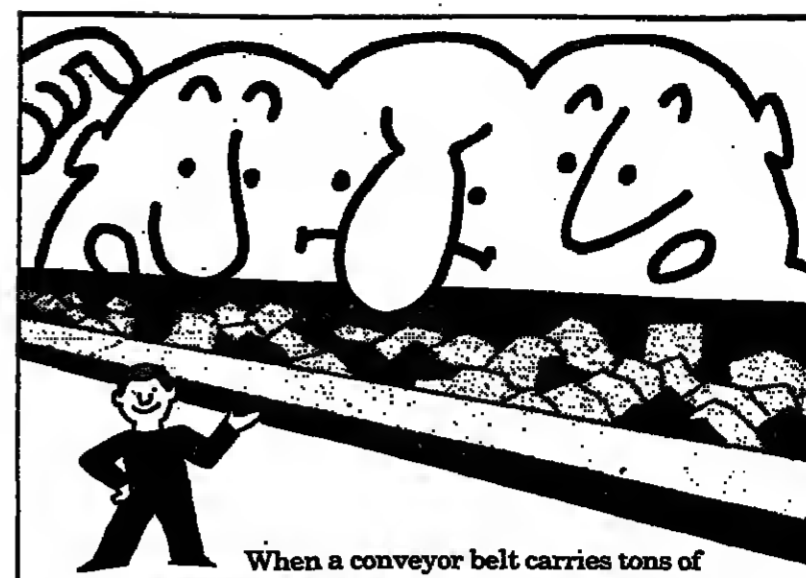
By Wong Sulong in Kuala Lumpur

SIGMA INTERNATIONAL, a Singapore listed company controlled by Mr Tan Koon Swan, the Malaysian businessman and politician—and which is also a major shareholder of the collapsed Pan-Electric Industries—has been placed under receivership with outstanding debts of more than S\$18m (US\$8.4m).

Three creditor banks—Development Bank of Singapore, Citibank and Bank of America—have obtained a court order and Peat Marwick Mitchell, the accounting firm, has been appointed receiver.

Sigma, originally a small bear products metal fabrication company, bought 22.2 per cent of Pan-Electric last year for S\$66.7m cash, with the result that its Pan-Electric stake now forms 59 per cent of its assets.

Sigma bought most of its Pan-Electric shares from a company called Wesco, which is associated with Mr Tan. Sigma, in turn, is 43.7 per cent owned by the Malaysian-listed Grand United Holdings (GUH). Mr Tan's master company.



When a conveyor belt carries tons of ore, the jagged rock can cause a little rip which may become a big tear. They say you can't prevent that. But Goodyear said, "Think quick," and created Sensor Guard® an electronic system that shuts down the belt if it starts to rip. So minor problems can't turn into major disasters.

MIM Holdings plans A\$200m rights issue

By Kenneth Marston, Mining Editor

MIM HOLDINGS, the Australian base metal and coal producer, yesterday announced a rights issue to raise some A\$200m (US\$140.5m) or 59.7m.

Shareholders registered on March 10 will be offered one new share at A\$2 for every five shares held. Following the issue the existing shares were A\$2.55 in Australia and 124p in London.

Asarco of the US, which currently holds 44 per cent of MIM, is to take up only 6.3m shares out of its entitlement, thus reducing its stake in MIM to 37.7 per cent. The 37.9m shares remaining out of Asarco's entitlement are understood to have been placed already with institutional investors, of which about 80 per cent are Australian.

The issue will raise the MIM issued capital to 603m shares from the present 502.6m. MIM says that the funds to be raised will be used for general working capital. The company has a heavy debt burden which was increased last year by the payment of A\$140m to Mr Robert Holmes a Court for his 18.3 per cent stake in Asarco.

After past losses, MIM returned to profitability in the final months of the year to last June. In the first half of the current year the company earned A\$30.8m compared with a loss of A\$26.5m

Special payout from Aberdare

BY JIM JONES IN JOHANNESBURG

ABERDARE CABLES, South Africa's leading electrical cable maker, has boosted its total dividend for last year from 28 cents a share to 52 cents, although net earnings per share rose only from 49.1 cents to 55.1 cents.

Almost all the increase in the payout comes, however, in what the company describes as an extraordinary dividend of 55 cents. It says this has been paid because its manufacturing facilities are modern and no major capital expenditure is needed.

Philips, the Dutch electrical group, and Altech, the South African electronics company, are Aberdare's main shareholders. Philips has been affected by new regulations introduced last year which prevent South African companies

from declaring dividends to foreign shareholders from profits earned before 1994.

It is widely believed that the cut-off date of this regulation will be advanced progressively. Aberdare's directors have said that extraordinary dividends will be declared from time to time.

The board believes demand for cables to drop this year, although a substantial increase in sales of optical fibre cables is expected.

Turnover increased by means of acquisitions in 1985, but Aberdare suffered from significantly narrower margins on sales. Last March it acquired Asco-Scottish Cables, its principal rival, thereby largely eliminating local competition in the cables market.

Turnover increased to R195m

(R93.1m) from R130m and pre-tax profits rose to R10.5m from R8.6m.

Northern Engineering Africa, the 62.5 per cent-owned South African subsidiary of Northern Engineering Industries of the UK, increased turnover by more than two-fifths in 1985 to R294m (£140.3m), but pre-tax profits slipped to R5.1m from R3.2m.

The company, which makes heavy engineering equipment, says that operating income in several of the group's companies with large long-term contracts is not necessarily related to turnover because of the conservative method of profit taking.

Earnings per share rose to 367.9 cents from 312.7 cents and the total dividend has been raised to 145 cents from 130 cents.

Pacific Dunlop boosts earnings 34%

BY OUR FINANCIAL STAFF

PACIFIC DUNLOP, the Australian maker of industrial and consumer goods known formerly as Dunlop Olympic, boosted net profits 34 per cent to A\$22m (US\$16.5m) in its first half to December.

However, the figure comes before extraordinary losses of A\$12.24m against A\$2.62m, bringing a 9.7 per cent advance in attributable earnings over

the 1984 period. The write-offs were on goodwill from a series of acquisitions which Sir Brian Massey-Greene, the chairman, said yesterday had significantly strengthened the group.

Most recently, these included the £34.5m (£48.9m) purchase of battery business outside the UK from Chloride. Sir Brian said that international sales of all its products contributed some 20 per cent of the

total A\$1.19bn turnover. Sales in the 1984 first half were A\$648.15m.

Pacific Dunlop, which has no remaining connection with the British Dunlop, was helped in Australia by buoyancy particularly in the construction industry, Sir Brian added.

The interim dividend is being raised to 6 cents from 5.5 cents. Sales and earnings are expected to continue at healthy levels.

Pioneer back to profits

BY YOKO SHIBATA IN TOKYO

PIONEER ELECTRONIC, the Japanese audio equipment maker, swung back into the black in its consolidated net result for the first quarter to December 1985, despite the steep appreciation of the yen.

Net profits were ¥1.07bn (US\$8.8m), a turnaround from a ¥234m deficit in the comparable period of the previous year. Net earnings per share came out at ¥7.76, against a loss of ¥1.72.

Pre-tax profits were ¥4.9bn, about 3.8 times as high as the

previous year, on sales of ¥94.56bn, up 11.9 per cent. Domestic sales advanced by 20 per cent. However, overseas turnover rose by only 6 per cent, affected by the negative impact of the yen's appreciation which cut turnover by an estimated ¥6bn.

Sales of visual products, primarily laser discs, surged by 37.6 per cent, while audio equipment rose 18.4 per cent helped by buoyant sales of compact disc players.

Advance at Nippondenso

BY OUR TOKYO STAFF

NIPPONDENSO, the manufacturer of electronic car components which forms part of the Toyota group, lifted parent pre-tax profits by 11.4 per cent to ¥91bn (US\$600m) last year.

Net profits moved up 15 per cent to ¥41.36bn, on turnover of ¥908.82bn, up by the same proportion. The company of late has expanded sales among the big three US car makers. Its direct exports accounted for about 13 to 15 per cent of total sales.

A heavier depreciation burden resulting from higher capital investment for capacity expansion and rationalisation, and higher research and development expenses were outweighed by the effects of volume production and the rationalisation moves.

The company plans equipment investment of ¥96bn for the current year. This includes ¥32bn for capacity expansion, and ¥19.5bn for enlarging or retooling existing plants.

Sumitomo Bank agrees merger

By Carla Rapoport in Tokyo

SUMITOMO BANK, Japan's largest "city" or commercial bank, yesterday confirmed that it intends to merge with Heiwa Seiga, a troubled savings and loan bank.

Sumitomo has agreed to Heiwa's request that all jobs at the smaller bank will be secure, salary levels maintained or improved to match those at Sumitomo, and Tokyo-based employees not be transferred out of the capital if they do not want to go.

Despite Heiwa's estimated bad debts of around ¥1bn, Sumitomo sees the merger as a way to add needed branches in Tokyo.

The Korea Development Bank

US \$100,000,000

Floating Rate Notes due 2000

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8 1/2 per cent for the period 18th February 1986 to 18th August 1986.

Total interest payable on 18th August 1986 per US\$10,000 Note will be US\$427.36 and per US\$100,000 Note will be US\$4,273.60.

Agent Bank:
Morgan Guaranty Trust
Company of New York
London

U.S. \$400,000,000
BANQUE FRANÇAISE
DU COMMERCE EXTERIEUR

Guaranteed Floating Rate Notes Due 1997

For the three months February 18, 1986 to May 15, 1986 the Notes will bear interest at 8 1/2% per annum. US\$207.81 will be payable on May 18, 1986 per \$10,000 principal amount of Notes.

February 18, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

Ireland
£50,000,000
Floating Rate Notes 1983

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 14th February, 1986 to 14th May, 1986 has been fixed at 13 1/2% per cent per annum. Coupon No. 10 will therefore be payable at £796.28 per coupon from 14th May, 1986.

S. G. Warburg & Co. Ltd.
Agent Bank

LINFIN CORPORATION
U.S.\$275,000,000
Collateralized Floating Rate Notes due 1995

For the three months 14th February 1986 to 14th May 1986 the notes will carry an interest rate of 8 1/2% per annum with an interest amount of U.S.\$1,072.07 per U.S.\$50,000 nominal. The relevant interest payment date will be 14th May 1986.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company Agent Bank

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK
(Kongeriget Danmarks Hypothekbank og Finansforvaltning)

Guaranteed Floating Rate Notes due 1999 Series 95 Redeemable at the Noteholders' Option in 1996

THE KINGDOM OF DENMARK

Notice is hereby given that the Rate of Interest for the second one-month sub-period has been fixed at 8 1/2% p.a. and that the interest payable for the second one-month sub-period in respect of U.S.\$1,000 nominal of the Notes will be U.S.\$63.68. This amount will accrue towards the interest payment due April 15, 1986.

February 18, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

The Korea Development Bank
US \$100,000,000
Floating Rate Notes due 2000

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8 1/2 per cent for the period 18th February 1986 to 18th August 1986.

Total interest payable on 18th August 1986 per US\$10,000 Note will be US\$427.36 and per US\$100,000 Note will be US\$4,273.60.

Agent Bank:
Morgan Guaranty Trust
Company of New York
London

NOTICE OF PREPAYMENT
THE DAIWA BANK, LIMITED
(Incorporated in Japan)

U.S\$20,000,000
Callable Negotiable Floating Rate Dollar Certificates of Deposit

No. 000301 to 000320 Issued on 28th March, 1983
No. 000321 to 000334 Issued on 30th March, 1983
No. 300065 to 300070 Issued on 30th September, 1983
No. 300071 to 300083 Issued on 28th September, 1984
No. 300084 to 300089 Issued on 28th September, 1984

Maturity Date 31st March, 1987 Optionally Callable in March, 1986

Notice is hereby given that in accordance with Clause 3 of the Certificates of Deposit (the "Certificates"), The Daiwa Bank, Limited ("the Bank") will prepay all outstanding Certificates on 27th March, 1986 (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of the Bank.

Interest will cease to accrue on the Certificates on the Prepayment Date.

The Daiwa Bank, Limited
London Branch
Commercial Union Building,
St. Helen's, 1 Undershaft, London EC3A 8JJ

18th February, 1986

£100,000,000 Guaranteed Floating Rate Notes due 1991
Citicorp Overseas Finance Corporation N.V.
(Incorporated with limited liability in the Netherlands, Antilles)

Unconditionally guaranteed by **CITICORP**

Notice is hereby given that the Rate of Interest has been fixed at 12 1/4% and that the interest payable on the relevant Interest Payment Date, May 19, 1986, against Coupon No. 9 in respect of £50,000 nominal of the Notes will be £1,597.17 and in respect of £5,000 nominal of the Notes will be £159.72.

February 18, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

BANQUE INDOSUEZ
US\$200,000,000 Floating Rate Notes Due 1997

For the three months 18th February, 1986 to 19th May, 1986 the Notes will carry an interest rate of 8 1/2% per annum and coupon amount of US\$209.38 per US\$10,000 note, and US\$5,234.38 per US\$250,000 note

Listed on the Luxembourg Stock Exchange by Bankers Trust Company Agent Bank

U.S. \$400,000,000
BANQUE FRANÇAISE DU COMMERCE EXTERIEUR
Guaranteed Floating Rate Notes Due 1997

For the three months February 18, 1986 to May 15, 1986 the Notes will bear interest at 8 1/2% per annum. US\$207.81 will be payable on May 18, 1986 per \$10,000 principal amount of Notes.

February 18, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

Ireland
£50,000,000
Floating Rate Notes 1983

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 14th February, 1986 to 14th May, 1986 has been fixed at 13 1/2% per cent per annum. Coupon No. 10 will therefore be payable at £796.28 per coupon from 14th May, 1986.

S. G. Warburg & Co. Ltd.
Agent Bank

They say you have to change marketing strategy at every foreign border. But Goodyear said, "Now hear this!" And reorganized to market and advertise on a global basis and communicate in the universal language of quality and performance.

Sometimes, it just doesn't pay to listen to what "they" say.

GOODYEAR
Investor contact: Hannan & Associates AG
Zurich, Switzerland. Telephone: 01 201 4090

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Exceptional Performance

In 1985, a period of increasing global M&A activity, First Boston/Credit Suisse First Boston acted as financial adviser to more than 190 mergers, acquisitions, divestitures and leveraged buyouts, and ranked Number 1 in *Corporate Financing Week's* tally of 1985 merger and acquisition transactions. First Boston/Credit Suisse First Boston advised on 7 of the 10 largest deals, more than any other investment banker, and over 75 transactions greater than \$100 million. These included the year's largest \$1.4-billion international merger and the two largest leveraged buyouts. At the same time, more than one third of First Boston/Credit Suisse First Boston's transactions were greater than \$50 million.

This record reflects the unique global capabilities of First Boston/Credit Suisse First Boston's 100-person Merger and Acquisition Group, with M&A professionals in New York and London as well as Atlanta, Boston, Chicago, Houston, Los Angeles, and San Francisco.

INTERNATIONAL

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
Nestlé S.A.	Carnation Company	Cash Tender Offer	\$3,000,000,000
W.R. Grace & Co.	Deutsche Bank AG	Repurchase of 26% Interest (Pending)	598,000,000
Texaco Canada Inc.	Texaco Inc.	Divestiture of Canadian Reserve Oil and Gas Ltd.	495,000,000
Atlantic Petroleum Corporation	Atlantic Richfield Company	Purchase of Philadelphia Refinery and Associated Service Station Operations in New York and Pennsylvania	420,000,000
Beecham Group p.l.c.	Pantry Pride, Inc.	Purchase of Norcliff Thayer and Reheis Chemical	395,000,000
First Boston, Inc. Investor Group	Dunlop Holdings plc	Leveraged Buyout of Dunlop Tire Corporation, a subsidiary of Dunlop Holdings plc, with Management and First Boston as Investors	193,000,000
Reckitt & Colman plc	CIBA-GEIGY AG	Divestiture of Airwick Group	193,000,000
Svenska Tobaks AB	GrandMet USA, Inc.	Purchase of The Pinkerton Tobacco Company	138,000,000
Klöckner-Humboldt-Deutz AG	Allis-Chalmers Corporation	Purchase of Agricultural Equipment Division and Allis-Chalmers Credit Corporation	107,000,000
Nationale-Nederlanden N.V.	National Distillers & Chemical Corporation	Divestiture of Indiana Insurance Co.	105,000,000
M.I.M. Holdings Limited	Weeks Petroleum Limited	Purchase of 14.5% Interest in ASARCO Incorporated	98,000,000
Unilever N.V. and Industrias Gessy-Lever Limitada	Anderson, Clayton & Co.	Divestiture of Brazilian subsidiary, Anderson, Clayton S.A. Industria e Comercio (Pending)	77,000,000
CIBA-GEIGY AG	Spectra-Physics, Inc.	Purchase of 20% Interest	44,000,000
Esselte Business Systems Inc.	Boorum & Pease Company	Cash Tender Offer	43,000,000
Aachen and Munich Holding Company	Academy Insurance Group, Inc.	Sale of Newly Issued Convertible Debt (Pending)	39,000,000
Unilever N.V.	Anderson, Clayton & Co.	Divestiture of Mexican subsidiary, Anderson, Clayton & Co., S.A. (Pending)	36,000,000
Blagden Industries plc	City Investing Company	Divestiture of European Manufacturing Operations of City Investing International, Inc.	35,000,000
M. Eguizabal	La Direccion General Del Patrimonio Del Estado Espanol and Rumasa, S.A.	Divestiture of Diez-Merito, S.A. and Bodegas Internacionales, S.A.	35,000,000
Allied Lyons plc (through its wholly owned subsidiary Harveys of Bristol Limited)	La Direccion General Del Patrimonio Del Estado Espanol and Rumasa, S.A.	Divestiture of Fernando A. De Terry, S.A. and Palomino Y Vergara, S.A.	26,000,000
Agfa-Gevaert, Inc., a subsidiary of Bayer AG	Matrix Corporation	Purchase of 10% Interest	22,000,000
Ing. C. Olivetti & C., S.p.A.	Docutel/Olivetti Corporation	Merger for Cash	20,000,000
Bralorne Resources Limited	Mark Products, Inc.	Merger for Cash	19,000,000
Co Op Aktiengesellschaft	La Direccion General Del Patrimonio Del Estado Espanol and Rumasa, S.A.	Divestiture of Garvey, S.A.	17,000,000
Barrick Resources Corporation	Texaco Inc.	Divestiture of Getty Gold Mine Company	Undisclosed
Caribbean Bottling Company (Bahamas) Limited	Coca-Cola Bottling Co. Consolidated	Divestiture of Caribbean Bottling Limited	Undisclosed
Charterhouse Group International, Inc.	Allied-Signal Inc.	Divestiture of C & D Power Systems (Pending)	Undisclosed
Credit Suisse	Max Grundig-Stiftung	Divestiture of Grundig Bank	Undisclosed
The Deceuninck Family	City Investing Company	Divestiture of Deceuninck Group (Belgian and other foreign companies)	Undisclosed
Fuji Photo Film (Europe) GmbH and Borsumij Investment B.V.	City Investing Company	Divestiture of Photofinishing Holding International B.V.	Undisclosed
Hong Leong Corporation Ltd.	City Investing Company	Divestiture of Rheem (Far East) Pte. Ltd.	Undisclosed
Hosokawa Micron Corporation	Ashland Oil, Inc.	Divestiture of U.S. Filter Systems, Inc.	Undisclosed
Ingenieria Empresarial C. por A.	Coca-Cola Bottling Co. Consolidated	Divestiture of Refrescos Nacionales, C. por A.	Undisclosed
A New Corporation Organized By Inuvialuit Development Corporation and Nunasi Corporation	Ministry of Transport—Government of Canada	Privatization of Northern Transportation Company Limited	Undisclosed
Kawasaki Steel Corporation	General Electric Company	Purchase of Thermal Systems Division	Undisclosed
Metropolitan Life Insurance Company	American General Corporation	Purchase of Albany Life Insurance Company, Ltd.	Undisclosed
Negri River Corporation Limited and Grant's Patch Mining Limited	Amselco Exploration Inc., a subsidiary of BP North America, Inc.	Divestiture of Colosseum Gold Project (Pending)	Undisclosed
Orsan S.A., an affiliate of Lafarge	Celanese Corporation	Divestiture of Ag Products Group	Undisclosed
Coppée S.A.	Texaco Inc.	Divestiture of Chembond Corporation	Undisclosed
Priha Oy	City Investing Company	Divestiture of Rheem Metalurgica S.A.	Undisclosed
Rheem Empreendimentos Industriais E. Comerciais S.A.	Kentwood Spring Water, Inc.	Merger for Cash	Undisclosed
Suntory International Corp.	Asiaweek, Ltd.	Purchase of 80% Interest	Undisclosed
Time Incorporated	Coca-Cola Bottling Co. Consolidated	Divestiture of Wometco Newfoundland, Limited	Undisclosed
United Investors Limited	Texaco Inc.	Divestiture of 50% Interest in the Escondida copper deposit (Pending)	Undisclosed
Utah International Inc.			

Note: First Boston's clients are indicated by bold print.

Continued on following page

The First Boston Corporation

Credit Suisse First Boston Limited

Leadership in Mergers Acquisitions and Divestitures 1985

DOMESTIC U.S.

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
Philip Morris Companies Inc.	General Foods Corporation	Cash Tender Offer	\$5,700,000,000
General Motors Corporation	Hughes Aircraft Company	Merger for Cash and General Motors Class H Common Stock	5,122,000,000
Allied Corporation	The Signal Companies, Inc.	Cash Tender Offer/Common Stock Merger	5,000,000,000
Baxter Travenol Laboratories, Inc.	American Hospital Supply Corporation	Merger for Cash and Securities	3,800,000,000
United States Steel Corporation	Texas Oil & Gas Corporation	Merger for Common Stock (Pending)	3,560,000,000
Capital Cities Communications, Inc.	American Broadcasting Companies, Inc.	Merger for Cash and Warrants (Pending)	3,500,000,000
The Coastal Corporation	American Natural Resources Company	Cash Tender Offer	2,500,000,000
American Television and Communications, Inc., Tele-Communications, Inc., et al.	Westinghouse Electric Corporation	Divestiture of Group W Cable, Inc. (Pending)	2,100,000,000
Kohlberg Kravis Roberts & Co. Investor Group	Allied Corporation	Divestiture of 50% Interest in Union Texas Petroleum Corporation	1,700,000,000
Mesa Partners (Mesa Petroleum/Wagner-Brown)	Phillips Petroleum Company	Takeover Defense (Tender Offer Unsuccessful)	1,380,000,000
Cox Enterprises, Inc.	Cox Communications, Inc.	Exchange Offer for Debt Securities	1,300,000,000
MidCon Corp.	United Energy Resources, Inc.	Cash Tender Offer	1,150,000,000
Various Buyers	Sun Company, Inc.	Merger for Cash and Common Stock	850,000,000
Taft Broadcasting Company	Gulf Broadcast Company	Divestiture of Certain Oil and Gas Properties (Pending)	755,000,000
Home Group, Inc.	City Investing Company	Purchase of Broadcast Properties	720,000,000
Rorer Group, Inc.	Pantry Pride, Inc.	Spin-Off to Shareholders of 100% Ownership in Home Group, Inc.	690,000,000
International Minerals & Chemical Corporation	Avon Products, Inc.	Purchase of Revlon Pharmaceutical Business (Pending)	675,000,000
THL Holdings Inc.	SCOA Industries Inc.	Merger for Cash and Exchangeable Preferred Stock	637,000,000
FPL Group Inc.	Colonial Penn Group, Inc.	Merger for Cash (Pending)	565,000,000
Kohlberg Kravis Roberts & Co. Investor Group	City Investing Company	Divestiture of Motel 6, Inc.	565,000,000
Citizens and Southern Georgia Corporation	Landmark Banking Corporation of Florida	Merger for Common Stock	508,000,000
Ford Motor Company	National Intergroup, Inc.	Purchase of First Nationwide Financial Corporation	493,000,000
Security Pacific Corporation	Arizona Bancwest Corporation	Merger for Cash (Pending)	480,000,000
Time Incorporated	Southern Progress Corporation	Merger for Cash and Equivalents	480,000,000
SFN Holding Company	SFN Companies, Inc.	Merger for Cash and Exchangeable Preferred Stock	476,000,000
Gibbons, Green, van Amerongen Investor Group	Ralston Purina Company	Divestiture of Foodmaker Inc.	450,000,000
Ford Motor Company	Sperry Corporation	Purchase of New Holland Farm Equipment Business (Pending)	440,000,000
Owens-Corning Fiberglas Corporation	Airmco Inc.	Divestiture of HITCO, Ladish Co., and Oregon Metallurgical Corporation	417,000,000
Sovran Financial Corporation	Suburban Bancorp	Merger for Common Stock (Pending)	405,000,000
Berkshire Hathaway Inc.	The Scott & Fetzer Company	Merger for Cash (Pending)	402,000,000
Citizens and Southern Georgia Corporation	The Citizens and Southern Corporation (S.C.)	Merger for Cash (Pending)	395,000,000
G.D. Searle & Co.	Certain Searle Family Trusts	Divestiture of 15% Interest	384,000,000
Emerson Electric Co.	Automatic Switch Company	Merger for Common Stock	374,000,000
The Pillsbury Company	Diversifoods Inc.	Cash Tender Offer	370,000,000
Union Bancorp	United Bancorp of Arizona	Merger for Cash (Pending)	335,000,000
Wesray Capital Corporation	Beneficial Corporation	Divestiture of Western Auto Supply Company	315,000,000
Coca-Cola Bottling Co. Consolidated	WEI Enterprises Corporation	Purchase of Wometco Coca-Cola Bottling Company	300,000,000
Castle & Cooke, Inc.	Flexi-Van Corporation	Merger for Common and Preferred Stock	290,000,000
Lincoln National Corporation	The Western Casualty and Surety Company	Merger for Cash	270,000,000
Metropolitan Life Insurance Company	Transworld Corporation	Divestiture of Century 21 Real Estate Corporation	252,000,000
Scripps-Howard Broadcasting Company	WXYZ-TV Detroit, Michigan and WFTS-TV, Tampa, Florida	Purchase of Assets (Pending)	246,000,000
Xidex Corporation	Dysan Corporation	Merger for Common Stock	236,000,000
First Boston, Inc. and Kelso & Company Investor Group	American Sterilizer Company	ESOP Leveraged Buyout and Cash Tender Offer with Management, First Boston, and Kelso & Company as Investors	230,000,000
Allegheny Beverage Corporation	City Investing Company	Divestiture of Servomation Corporation	225,000,000
National Distillers & Chemical Corporation	Reliance Group Holdings Inc.	Purchase of Pargas Inc.	225,000,000
Society Corporation	Centran Corporation	Merger for Cash and Common Stock	220,000,000
Madison Resources, Inc.	Adobe Oil & Gas Corporation	Merger for Common and Preferred Stock	215,000,000
Midlantic Bank, Inc.	Heritage Bancorporation	Merger for Cash and Common Stock	206,000,000
USLIICO Corporation	International Bank	Merger for Cash, Notes and Common Stock (Pending)	199,000,000
Colt Industries, Inc.	Walbar Inc.	Cash Tender Offer	198,000,000
Crane Co.	UniDynamics Corporation	Cash Tender Offer	194,000,000
Houston Industries Incorporated	Fluor Corporation	Divestiture of Oil and Gas Operations	190,000,000
Eastman Kodak Company	Verbatim Corporation	Cash Tender Offer	175,000,000
Soo Line Corporation	Chicago Milwaukee Corporation	Divestiture of Core Railroad Assets of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company	170,000,000
Gannett Co., Inc.	Des Moines Register and Tribune Company	Divestiture of The Des Moines Register	165,000,000
FMC Corporation	Gulf Resources & Chemical Corporation	Purchase of Lithium Corporation of America	150,000,000
LPL Investment Group Inc.	Times Fiber Communications, Inc.	Merger for Cash (Pending)	146,000,000
Advance Publications, Inc.	The New Yorker Magazine, Inc.	Merger for Cash	142,000,000
CMC Holding Company	Colt Industries, Inc.	Divestiture of Crucible Materials Corporation and Crusteel Ltd.	135,000,000
Harcourt Brace Jovanovich, Inc.	City Investing Company	Divestiture of Federal Home Life Insurance Company and PHF Life Insurance Company	130,000,000
Itel Corporation	Great Lakes International Inc.	Cash Tender Offer	130,000,000
Colgate-Palmolive Company	Baxter Travenol Laboratories, Inc.	Divestiture of American McGraw Division	120,000,000
Shell Oil Company	Marathon Oil Company, a subsidiary of United States Steel Corporation	Divestiture of Certain California Oil and Gas Property Interests	111,000,000
AmSouth Bancorporation	First Gulf Bancorp Inc.	Merger for Cash and Common Stock	110,000,000
CBS Inc.	Taft Broadcasting Company	Divestiture of KTXQ-FM, KLTR-FM, WLTT-FM, WYNF-FM, and WSUN-AM Radio Stations	108,000,000
Power Test Corp.	Texaco Inc.	Divestiture of Northeast Marketing Activities of Getty Oil Company	95,000,000
Citizens Financial Group Inc.	Capitol Bancorporation	Merger for Cash (Pending)	80,000,000
Colson, Inc.	Washington Bancorporation	Purchase of 80% Interest (Pending)	78,000,000
Parker-Hannifin Corporation	Scovill Inc.	Purchase of Schrader Bellows Division	78,000,000
Hibernia Corporation	Fidelity National Financial Corporation	Merger for Cash and Common Stock (Pending)	76,000,000
Baxter Travenol Laboratories, Inc.	Compnare, Inc.	Merger for Common Stock	73,000,000
Sovran Financial Corporation	D C National Bancorp, Inc.	Merger for Common Stock (Pending)	67,000,000

Note: First Boston's clients are indicated by bold print.

DOMESTIC U.S. (Cont'd.)

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
Seagull Energy Corporation	ENSTAR Corporation	Divestiture of Alaska Pipeline Co. and Assets of ENSTAR Natural Gas Co.	\$ 65,000,000
Xidex Corporation	Control Data Corporation	Purchase of Business Products Group	65,000,000
First Boston, Inc. Investor Group	Castle & Cooke, Inc.	Leveraged Buyout of Bumble Bee Seafoods Division, with Management and First Boston as Investors	60,000,000
American Continental Corporation	Anderson, Clayton & Co.	Divestiture of American Founders Life Insurance Company (Pending)	58,000,000
Gannett Co., Inc.	Des Moines Register and Tribune Company	Divestiture of 14% Interest in Cowles Media Company	56,000,000
Equimark Purchasing Partners	Equimark Corporation	Recapitalization	55,000,000
Xidex Corporation	Xidex Magnetics Corporation	Merger for Common Stock	55,000,000
Zeigler Coal Holding Company	Houston Natural Gas Corporation	Divestiture of Zeigler Coal Company	55,000,000
Holly Corporation	Holly Corporation	Recapitalization	50,000,000
The Coastal Corporation	Texaco Inc.	Divestiture of Eagle Point Refinery Complex	43,000,000 (+inventories)
Piedmont Aviation, Inc.	Empire Airlines, Inc.	Merger for Cash (Pending)	42,000,000
Gannett Co., Inc.	Des Moines Register and Tribune Company	Divestiture of The Jackson Sun	40,000,000
Ash Grove Cement Company	Arkla, Inc.	Divestiture of Arkansas Cement Corporation	38,000,000
Chey Chase Savings and Loan, Inc.	B.F. Saul Mortgage Company	Merger for Preferred Stock	38,000,000
The Coastal Corporation	Texaco Inc.	Divestiture of Getty Minerals Company (Skyline Coal Mine)	34,000,000
Texas Oil & Gas Corp.	Occidental Petroleum Corporation	Divestiture of Lathrop Gas Field	30,000,000
United Banks of Colorado, Inc.	IntraWest Financial Corporation	Purchase of 2 IntraWest banks (Pending)	30,000,000
CP National Corporation	Ocean Technology, Inc.	Merger for Cash	28,000,000
PSFS	First Federal Savings and Loan Association of Winter Haven	Merger for Cash	19,000,000
The Chase Manhattan Corporation	Third Century Leasing Group	Merger for Cash (Pending)	16,000,000
Criterion Mortgage Holding Corporation	City Investing Company	Divestiture of Criterion Financial Corporation	16,000,000
Recognition Equipment Incorporated	Datapoint Corporation	Purchase of Certain Assets of Inforex, Inc.	12,000,000
Huckvale Acquisition Inc.	City Investing Company	Divestiture of Guerdon Industries Inc.	11,000,000
Riverside Corporation	Western States Life Insurance Company	Divestiture of Alliance Life Insurance Company (Pending)	9,000,000
Lilly Industrial Coatings, Inc.	Celanese Corporation	Divestiture of Certain Assets and Liabilities of Almatex Ltd.	8,000,000
Security Benefit Life Insurance Company	The First Pyramid Life Insurance Company of America	Merger for Cash	6,000,000
Celanese Corporation	Codenoll Technology Corporation	Purchase of 10% Interest	5,000,000
W & D Securities Inc.	Associated Madison Companies, Inc.	Divestiture of AC Securities, Inc.	4,000,000
Celanese Corporation	Interactive Radiation, Inc.	Purchase of 21.5% Interest	3,000,000
Ackerley Communications Incorporated	Des Moines Register and Tribune Company	Divestiture of KSGO-AM and KGON-FM Radio Stations	Undisclosed
Air Products and Chemicals, Inc.	Texaco Inc.	Divestiture of Getty Synthetic Fuels, Inc.	Undisclosed
American Bakeries Company	Cotton Brothers, Inc.	Merger for Cash	Undisclosed
AMETEK, Inc.	Ashland Oil, Inc.	Divestiture of PanAlarm International, Inc.	Undisclosed
Atlas Foundry & Machine Co.	Ashland Oil, Inc.	Divestiture of Atlas Foundries Division	Undisclosed
The Bank of New York Company, Inc.	Security Pacific Corporation	Divestiture of RMJ Securities Corporation (Pending)	Undisclosed
BMI Acquisition Corporation	Beverage Management Inc.	Merger for Cash	Undisclosed
Burnham Broadcasting Company	Des Moines Register and Tribune Company	Divestiture of KHON-TV and KAIL-TV	Undisclosed
Celanese Corporation	Endotronics, Inc.	Purchase of 28% Interest	Undisclosed
Celanese Corporation	Osmonics, Inc.	Purchase of 25% Interest	Undisclosed
Centronics Data Computer Corp.	Trilog, Inc.	Purchase of Assets	Undisclosed
C.I.T. Corporation	American Hoist & Derrick Company	Divestiture of Finance Receivables of Amhoist Credit Corporation	Undisclosed
Cities Service Company	Texaco Inc.	Divestiture of Coltex Corporation	Undisclosed
The Coastal Corporation	Texaco Inc.	Divestiture of Northeast Pipe Lines and Terminals (Pending)	Undisclosed
Cyrus Minerals Company	Texaco Inc.	Divestiture of Plateau Mining Company, Colorado Yampa Coal Company, Twenty Mile Coal Company and various other related companies	Undisclosed
First Boston, Inc. Investor Group	The Pillsbury Company	Leveraged Buyout of The Chart House, with the First Boston Mezzanine Investment Partnership, Management and First Boston as Investors	Undisclosed
FMC Corporation	Gulf Resources & Chemical Corporation	Purchase of BS&B Engineering Company	Undisclosed
FOC Corporation	The LTV Corporation	Divestiture of Fibercast Company (Pending)	Undisclosed
Freeport-McMoRan Inc. Master Limited Partnership Unitholders	Freeport-McMoRan Inc.	Formation of a Master Limited Partnership for purpose of holding selected Oil & Gas Properties (Pending)	Undetermined
The Goodyear Tire & Rubber Company	Texas Eastern Corporation	Divestiture of Automotive Services Division (Pending)	Undisclosed
Harvard Industries, Inc.	Amerace Corporation	Divestiture of Esna and Caco-Pacific Divisions	Undisclosed
Hawkeye Acquisition Corporation	Texaco Inc.	Divestiture of Hawkeye Chemical Company	Undisclosed
The Henley Group, Inc.	Allied-Signal Inc.	Spin-Off to Shareholders of 70% Ownership in New Corporation formed to own 30 Allied-Signal Business Units (Pending)	Undisclosed
Ingersoll-Rand Company	Textron, Inc.	Purchase of Fafnir Bearing Division	Undisclosed
International Paper Company	International Paper Company	Formation of a Master Limited Partnership for purpose of holding approximately 7,000,000 acres of Timberland	Undetermined
Master Limited Partnership Unitholders	Allied-Signal Inc.	Divestiture of North American Refractories Unit (Pending)	Undisclosed
Kirtland Capital Corporation	Baxter Travenol Laboratories, Inc.	Divestiture of American Haemonetics Corporation	Undisclosed
Latham Labs, Inc.	Avicom International, Inc.	Merger for Cash	Undisclosed
Lockheed Corporation	Texaco Inc.	Divestiture of 40% Interest in Wyco Pipe Line Company	Undisclosed
Mobil Corporation	Des Moines Register and Tribune Company	Divestiture of WQAD-TV	Undisclosed
The New York Times Company	Environmental Testing & Certification Corporation	Merger for Common Stock (Pending)	Undisclosed
O. H. Materials Corporation	Des Moines Register and Tribune Company	Divestiture of WIBA-AM and WIBA-FM Radio Stations	Undisclosed
Price Communications Corporation	The LTV Corporation	Divestiture of Certain Assets of Republic Supply Division	Undisclosed
Republic Supply Co.	IC Industries, Inc.	Purchase of Carls Drug Co., Inc.	Undisclosed
Reveco D.S., Inc.	Ashland Oil, Inc.	Divestiture of Cashco Holdings, Inc.	Undisclosed
RSP&M, Inc.	Murry's Steaks Inc.	Merger for Cash	Undisclosed
The Rymer Company	Investco Partners (comprised of Coca-Cola Bottling Co. Consolidated and FBCC Holdings, Inc., a subsidiary of First Boston, Inc.)	Divestiture of Northern Arizona Coca-Cola Bottling, Inc.	Undisclosed
Swire Bottlers Inc.	Sara Lee Corporation	Divestiture of Idaho Frozen Foods Corp.	Undisclosed
Universal Foods Corporation	Texaco Inc.	Divestiture of Getty Coal Company (Malakoff-Cayuga Coal Project)	Undisclosed
Utility Fuels, Inc.	City Investing Company	Spin-Off to Shareholders of 100% Ownership in Wood Bros. Homes, Inc.	Undisclosed
Wood Bros. Homes, Inc.	Charlton Associates	Merger for Common Stock and Warrants (Pending)	Undisclosed
Xidex Corporation			

Note: First Boston's clients are indicated by bold print.

In 1985, a period of increasing global M&A activity, First Boston/Credit Suisse First Boston acted as financial advisor on more than 190 mergers, acquisitions, divestitures and leveraged buyouts, and ranked Number 1 in *Corporate Financing Week's* tally of 1985 merger and acquisition transactions. First Boston/Credit Suisse First Boston advised on 7 of the 10 largest deals, more than any other investment banker, and over 75 transactions greater than \$100 million. These included the year's largest non-oil international merger and the two largest corporate divestitures. At the same time, more than one third of First Boston/Credit Suisse First Boston's transactions were under \$50 million.

The First Boston Corporation

Credit Suisse First Boston Limited

UK COMPANY NEWS

Currency swings restrict Dalgety growth to 6.6%

Dalgety group of international merchants raised pre-tax profits by 6.6 per cent from £33.2m to £35.4m in the half-year ending December 31 1985. This was at the bottom end of City estimates and the shares slipped 2p to 228p.

Mr David Donnan, the chairman, says the results include a first-time contribution from Gill and Duffus and reflect an underlying trend of improvement. However, currency movements took their toll—had they remained stable, the profit would have been £47m greater.

Another factor in the comparison with last year is the deconsolidation of Dalgety Farmers in Australia, which is now a related company.

Earnings per share dipped from 12.6p to 11.2p, the inevitable consequence, says Mr Donnan, of currency movements and to a lesser extent the anticipated short-term effect of purchasing Gill and Duffus.

However, the interim dividend is again 5.5p net on capital increased by the acquisition and adjustment for a 100 per cent scrip. This therefore means payment is up to £10.8m (£8.5m).

Summarising the half-year's working, Mr Donnan says the UK performance showed further progress and was reflected in a higher profit, however, interest of £27.2m (£24.5m) from turnover of £33.1m (£30.6m).

Gill and Duffus performed well despite difficult trading conditions, and produced a profit of £15.6m on turnover of £73.2m.

In Canada, turnover fell to £19m (£19.1m) and profit to £3.5m (£3.7m). This stemmed from poor lumber prices and a severe depression in the pulp market for wood chips. Measured in Canadian dollars the profit was down by 10 per cent.

On a comparable basis, the Australian figures improved, although this half's actual figures are much lower because of reducing the stakes in Dalgety Farmers to 49 per cent. Turnover was £31m (£19.9m) and profit £2.1m (£10.1m).

Mr Donnan tells members that the performance in the US was very creditable, being better than the sterling translation indicates. These show turnover of £72.2m (£62.6m) and profit £8.9m (£8.2m).

Looking at prospects, the chairman expresses his confidence of another good year, while the longer term "is very encouraging". Excluding any adjustment for Gill and Duffus, the group recorded a pre-tax profit of £87.5m for the 1984-85 year.

Considerable benefits are expected from the integration and the trading activities of Gill and Duffus with the existing businesses.

The cost reduction programme being implemented in all the core businesses will have a significant impact on future performance.

An analysis of turnover and trading profit, before interest, by activity shows: agricultural service and supply £27.3m (£24.5m) and £7.3m (£14.5m); food processing and distribution £28.9m (£17.0m) and £11.9m (£15.9m); cereal processing and compound £20.9m (£21.7m) and £11.6m (£9m); Gill and Duffus £22.2m (£15.6m) and £15.6m (£15.2m) and £3.9m (£7.1m).

Related companies contributed £3.5m (£3.7m) but interest charges soared from £16.6m to £21.7m.

At December 31 the group's net borrowings had increased from £207.1m to £306.3m, of which £74.7m (£38.5m) were secured.

Gill and Duffus accounted for £7.9m of this year's pre-tax profit, while Dalgety Farmers contributed £7.1m of the 1984 trading profit before interest.

After UK tax £7.2m (£5.3m) and overseas £5.2m (£7m), the attributable profit comes to £22.7m (£19.7m). There are also extraordinary charges of £400,000 (£5.1m).

comment
The purchase of Gill and Duffus last year has proved a double burden for Dalgety. The City, which was confused about the deal and its divisive effect in the first place, is now deeply suspicious of anyone with even the smallest exposure to tin. These figures should go some way to rehabilitating Dalgety: not only are Gill's figures as good as could be expected in a dull cocoa market, but improved productivity in the UK cereal business (and some judicious price rises) helped weather the storm of a poor wheat harvest. The reduced contribution from Martin Brower was inevitable given the need to gear up the McDonald's distribution network for a particularly elaborate new hamburger. The real problem is the Canadian lumber business, where prices remain depressed despite an improvement in housing starts; however good the return on capital in a good year, one wonders if Dalgety can afford such a variable business. Recovery here and at Martin Brower — provided McDonald's does not come up with another blockbuster — is the key to improvement next year.

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The other major shareholder of Gevor is the Rio Tinto-Zinc group with a stake of 19.37 per cent. RTZ also fully owns the Wheel Clay South Crofty and Wheel Panxter tin mines in Cornwall.

The tin concentrate output is processed at the group's Capper Pass refinery on Humberside.

Turnover did not quite match the last year's level at £6.15m (£6.29m). Earnings per share rose from 2.41p to 3.9p.

Far East switch lifts Scottish Eastern

NET ASSET value per 25p share of the Scottish Eastern Investment Trust rose by 16.8p to 125.4p in the year ending January 1986. Earnings improved from 1.9p to 1.99p.

The dividend for the 12 months is lifted from an adjusted 1.875p to 2p net, the final being 1.15p.

Gross revenue pushed ahead from £10.82m to £11.49m. Tax of £2.07m (£2.1m) left net revenue at £8.75m, compared with £8.71m. Total resources expanded from £27.3m to £30.6m.

The trust entered the 1985-86 year with 45 per cent of its investments in the UK, 28 per cent in North America and 21 per cent in the Far East. Last spring some 10 per cent of the trust's assets were switched from the Far East into continental European markets, especially West Germany, with favourable results.

Currently, net currency exposure is 59 per cent sterling, 11 per cent US dollar, 23 per cent yen and 14 per cent European—principally the Deutsche mark.

Cranbrook
Despite the downturn in its industry, Cranbrook Electronic Holdings has met its profit forecast with 150.000 pre-tax for the year ended September 30 1985.

The forecast of £500,000 was contained in last June's prospectus for quotation on the UKSE, in the previous year the company made £385,000. The dividend is 0.5p net.

Cranbrook distributes high technology active electronic components and sub-systems to customers in defence, electronics, telecommunications and business computers. Its most important supplier is Western Digital Corporation.

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Expansion-minded Mann hits target

Mann & Co, the Surrey-based estate agent which moved into a new area of operation last month via the acquisition of Abbotts (East Anglia), raised its first half profits to £2.25m pre-tax, an improvement of 22 per cent over last time's £1.86m.

Turnover rose from £5.63m to £6.34m and the directors are confident of further growth during the second six months.

They point out, however, that a strict comparison with the corresponding period of the previous year is not appropriate as present market conditions indicate that there will be a more even balance of results between the two halves of the current year.

Mann came to market in March 1985 and is paying a maiden interim dividend of 1.5p not per 20p share. First half earnings rose by 0.9p to 6.9p.

During the opening six months (to November 30 1985) the directors continued the expansion of the group by the acquisition of further branches, increasing its outlets to 131 (116). It is hoped that growth will continue in the second half.

The purchase of Southend-on-Sea based Abbotts increased the number of residential branches to 163. Abbotts operates mainly in Essex, Suffolk and Norfolk.

Group tax for the half year accounted for £302,000 (£244,000) and left net profits at £1.95m, compared with £1.02m.

The number of houses sold totalled 6,100 (5,600) with a value of over £200m (£220m). The group's insurance services division arranged mortgages amounting to over £70m (£35m).

The half year results were in line with the directors' forecast made at the time of the acquisition of Abbotts.

comment
The market barely gave Mann's interim figures a second glance. Profits of £2.25m had been predicted with the Abbotts acquisition four weeks ago and there was little in the announcement to change forecasts of around £4.2m for the year including a maiden £200,000 from four months of Abbotts. What the market is obsessed with is thoughts of a predator. Estate agency appears to be on the verge of financial conglomerate's shopping list as the next area for expansion. The £77m recently paid by Hambros for Balfour Beatty could be described as a fairly full one and if anything Mann's reputation in the market is higher than that of Balfour Beatty. A successful bid would probably have to put at least another five points on the current p/o of 22 and perhaps more before the controlling directors relinquished their independence. Yet without a bid the shares at 270p are obviously trading on a demand-multiple even if a lot more can be squeezed out of Abbotts' margins once Mann's experience with financial services is injected into the agency.

BOARD MEETINGS
The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY
Interim—DRCC, Patchey Property, Ricardo Consulting Engineers, Sigmax International, Throgmorton Secured Growth Trust, United East Property Trust.

FUTURE DATES
Interim—AAH Feb 27
Mitchell Cotts Mar 6
Quest Automation Feb 24

FINAL
GICC (William) Mar 26
Gard Nicholson Feb 19
Moline Mar 27
Ratcliffe (Great Bridge) Feb 27
River and Mercantile Trust Feb 20
Scottish Eastern Invest. Trst. Mar 10
Transport Development Feb 20

FEELINGS—Alexandra Holdings, Barnard, Bullers, Kewth, Padang Seneng.

BASE LENDING RATES

ARN Bank	12 1/2 %	Hambros Bank	12 1/2 %
Allied Dunbar & Co.	12 1/2 %	Heritable & Gen. Trust	12 1/2 %
Allied Irish Bank	12 1/2 %	Hill Samuel	12 1/2 %
American Express Bk.	12 1/2 %	C. Moore & Co.	12 1/2 %
Anro Bank	12 1/2 %	Hongkong & Shanghai	12 1/2 %
Bank of America	12 1/2 %	Johnson Matthey Bkrs.	12 1/2 %
Bank of Australia	12 1/2 %	Knowles & Co. Ltd.	13 %
Bank of Canada	12 1/2 %	Lloyds Bank	12 1/2 %
Bank of China	12 1/2 %	Bank of India	12 1/2 %
Bank of Cyprus	12 1/2 %	Bank of Ireland	12 1/2 %
Bank of Egypt	12 1/2 %	Bank of Japan	12 1/2 %
Bank of Greece	12 1/2 %	Bank of Korea	12 1/2 %
Bank of Hong Kong	12 1/2 %	Bank of Kuwait	12 1/2 %
Bank of India	12 1/2 %	Bank of London	12 1/2 %
Bank of Japan	12 1/2 %	Bank of Mauritius	12 1/2 %
Bank of Korea	12 1/2 %	Bank of Mexico	12 1/2 %
Bank of Kuwait	12 1/2 %	Bank of Monaco	12 1/2 %
Bank of London	12 1/2 %	Bank of New Zealand	12 1/2 %
Bank of Mauritius	12 1/2 %	Bank of Oman	12 1/2 %
Bank of Mexico	12 1/2 %	Bank of Persia	12 1/2 %
Bank of Monaco	12 1/2 %	Bank of Portugal	12 1/2 %
Bank of New Zealand	12 1/2 %	Bank of Rangoon	12 1/2 %
Bank of Oman	12 1/2 %	Bank of Saudi Arabia	12 1/2 %
Bank of Persia	12 1/2 %	Bank of Singapore	12 1/2 %
Bank of Portugal	12 1/2 %	Bank of South Africa	12 1/2 %
Bank of Rangoon	12 1/2 %	Bank of Sri Lanka	12 1/2 %
Bank of Saudi Arabia	12 1/2 %	Bank of Swaziland	12 1/2 %
Bank of Singapore	12 1/2 %	Bank of Tanzania	12 1/2 %
Bank of South Africa	12 1/2 %	Bank of Thailand	12 1/2 %
Bank of Sri Lanka	12 1/2 %	Bank of Trinidad	12 1/2 %
Bank of Swaziland	12 1/2 %	Bank of Uganda	12 1/2 %
Bank of Tanzania	12 1/2 %	Bank of Zambia	12 1/2 %
Bank of Thailand	12 1/2 %	Bank of Zimbabwe	12 1/2 %
Bank of Trinidad	12 1/2 %		
Bank of Uganda	12 1/2 %		
Bank of Zambia	12 1/2 %		
Bank of Zimbabwe	12 1/2 %		

Members of the Accepting Houses Committee.
7-day deposits 8.70%, 1-month 9.80%, 3-month 12.00%, 6-month 12.00%, 1-year 12.00%. At call when £10,000+ running deposits.
Call deposits £1,000 and over 9% gross.
Mortgage bank rates.
Demand dep. 8 1/2%, Mortgage 13%.

FULCRUM INVESTMENT TRUST P.L.C.

Results for the year ended 31st October, 1985

	1985	1984
Net Revenue before tax	£198,036	£188,190
Dividends per Income share	5.60p	5.25p
Net asset value per:		
Income Share	41.31p	41.08p
Capital Share	7.49p	5.74p

At the A.G.M. held on 17th February, the Chairman stated that "the unaudited net asset value per Capital Share at 31st January was 8.26p"

MAUNBY Investment Management Ltd., Analysts House, 1 Park View, Harrogate, North Yorkshire HG1 5LY.

Glasgow Stockholders revenue up

The dividend at Glasgow Stockholders Trust is lifted from 2.00p to 2.32p net in respect of the year 1985. The final is 1.45p.

With the help of the £4m debenture raised at end 1984, gross revenue increased from £1.89m to £2.29m. But exchange and interest rates, the cost of servicing the new debenture and switching into lower yielding American shares have all had a bearing, and the pre-tax revenue is virtually unchanged at £1.25m. Earnings came to 2.45p (2.32p) per share.

At the year end the net asset value had risen by 5.6 per cent to 140.3p per share. In the UK, the managers felt "the bull market was mature and built up liquidity in anticipation of lower prices later in the year. By October it was evident that buying objectives were not being reached so liquidity was reinvested, but it had an adverse effect on the overall portfolio performance."

South African group sells 19% stake in Gevor Tin

SOUTH AFRICA'S Gevor mining finance group has sold its entire holding of 566,000 shares, or 18.8 per cent, in the Cornish tin-producing Gevor Tin Mines.

They have been bought by a Mr A. H. Cuttjari, and although the price paid has not been disclosed it is thought to have been in the region of 50p per share. In London yesterday, the shares closed at 62p, down 2p; they have fallen from 167p in October when the International Tin Agreement crisis erupted and dealings in tin were halted on the London Metal Exchange at £2,140 per tonne.

LME dealings remain suspended, but "a tentative price equivalent to about £5,500 emerged in limited trading in Kuala Lumpur last week. There was also talk yesterday of metal changing hands at over £7,000 in Europe. These prices are still below the level of some £8,600 which Gevor needs to break even.

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TURKEY MONITOR

A monthly bulletin of business, financial and political developments in Turkey

Write to: PO Box 514, London N15 3LW, Great Britain

IMPALA PLATINUM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Reg. No. 57/01579/06

INTERIM PROFIT STATEMENT AND DECLARATION OF INTERIM DIVIDEND

The unaudited consolidated results of this company's operations during the six months ended 31 December 1985, are as follows:

	6 months to 31.12.85	6 months to 31.12.84	% change	Year to 31.12.85
Consolidated profit for the period	165,928	91,186	+ 82	234,217
Less: Taxation and lease consideration	44,112	40,596	+ 56	89,800
Profit for the period after taxation and lease consideration	101,826	50,590	+103	144,417
Earnings per share (cents)	177	87	+103	251
Dividends per share (cents)	35	35	—	135

Customer demand for Impala's principal products maintained a rising trend during the half-year and the company proceeded with its programme of increasing production capability by bringing its facilities into better balance. Revenue benefited not only from increased volume but also from higher metal prices. However, a substantial part of the company's output is sold under long term contract where revenue is protected by cost escalations and is not subject to exchange rate fluctuations.

The 103% increase in attributable profit over the comparable period last year reflects both the higher revenue and the absence of forward metal purchase and foreign exchange losses which affected the previous period.

One of Impala's key objectives has been to build a stable, well motivated and increasingly skilled workforce. The higher mining levels needed for increased production required additional recruiting to be carried out last year but despite this the workforce at the end of 1985 still contained a higher proportion of employees who had been with Impala for a considerable period. It was therefore disappointing that the majority took part in a work stoppage on 1 January and doubtly so that organised and often brutal intimidation created a situation in which it proved impossible to resolve the problem using routine procedures. As a result some 23,000 employees either chose to resign or were with reluctance dismissed.

Remanning has now been successfully completed and it has proved possible to re-engage a substantial proportion of those former employees who were striking against their will. Inevitably, however, there are some initial weaknesses in skills and experience so that production is not expected to be fully back to normal until mid-March at the earliest. Although there has been a serious loss of production, satisfactory arrangements have been made, through the medium of our trading subsidiary Ayron Metals, to maintain supplies to customers.

The financial impact of the disruption is difficult to quantify with accuracy in this stage but the best estimate is a loss of attributable earnings totalling R45 million, and in the light of this it is unlikely that the results for the full year to 30 June 1986 will be significantly better than for the previous financial year. With the immediate priority being the return to full production, capital expenditure for the year as a whole is likely to be rather less than originally forecast.

In all the circumstances the directors have decided to declare an unchanged interim

FINANCIAL TIMES SURVEY

Tuesday February 18 1986



● Just off the press: Australian-born proprietor Rupert Murdoch with copies of his newspaper at the high technology print works in Wapping, East London.



● Mr Eddy Shah has sent shock-waves through the UK newspaper industry with plans to launch a low-cost, high technology paper with full colour on March 4.



● Electronic publishing systems for larger companies now represent a fast-growing market. Seen here is Kodak's new Ektagprint system, "Keeps".



● The reprographics revolution: this new laser printer from Rank Xerox reproduces text, data and graphics at 10 pages a minute and can be shared by four computers.

ELECTRONICS IN PRINTING AND PUBLISHING

Turmoil in Fleet Street

By RAYMOND SNOODY

RARELY CAN the profile of print have been so high in Britain. Fleet Street, traditionally rather secretive about its own inner workings, is changing suddenly in a blaze of publicity.

The mere threat of Mr Eddy Shah's new low-cost high technology newspaper, *Today*, which is launched on March 4, was enough to weaken the defences which had held technological change at bay. The formal demolition of traditional printing levels and practices was begun by Mr Robert Maxwell at Mirror Group Newspapers who achieved a total of 2,100 job cuts through negotiations with his unions.

Mr Rupert Murdoch made a dash for Wapping in East London after sacking more than 5,000 of his print workers and is now producing his four titles *The Times*, *The Sun*, the *Sunday Times* and the *News of the World* on an Atecs electronic publishing system behind barbed wire.

And, while the problems of private distribution by van have yet to be completely solved, it is clear that Fleet Street will never be the same again.

Yet, Fleet Street for all its visibility is only a part—and the most untypical part—of the printing industry. Far away from the headlines a much quieter revolution has been gradually gathering pace—the modernisation of an industry that employs about 500,000 people.

"It's a very exciting time—but for some it's also a threatening time. It's a constant battle to keep up with advances in technology," commented Dr John Arnold, head of technical services at the British Printing Industries' Association.

Yet, what for Fleet Street is still new technology is only new compared with the hot-metal Linotype machines that the computer-based systems are finally replacing. Such technology has been in use in the US for many years and the provincial press in the UK began using phototypesetting in the mid-1960s.

Technology is not only revolutionising the way that newspapers and magazines are

printed, but it is also influencing their content in such areas as full-colour news pictures, transmitted from distant parts of the world within four minutes on such systems as the portable "Satlight" equipment from Scitex Europe.

The rapid changes in the printing industry worldwide are evident at such major exhibitions as IPEX in the UK and DRUPA, staged in 18 huge halls in Düsseldorf, West Germany, venue for the world's premier show for the industry. (DRUPA 86 will take place from May 2 to 15).

The printing industry breaks down into four broad process areas:

- Typesetting.
- Colour reproduction.
- Printing.
- Binding and finishing.

It is in the first area—the front end—where the most dramatic changes are under way. The falling cost of computer power, and the growing sophistication of software, has enabled not just copy to be generated but text and graphics to be integrated and complete pages to be made up on-screen.

Companies such as Systems Integrators of California are already offering on-screen page makeup where you can actually see an accurate representation

of the newspaper page including all the text of stories. In other areas such as printing, change may be more evolutionary than revolutionary, but even here electronics are leading to change.

Examples

Electronics are controlling such areas as colour density, the depth and amount of ink applied to pages and the speed of machines. Even in the binding and finishing sections computers assist in operations such as guillotining, VDUs check cutting sequences, control the speed of folding machines and oversee safety features on equipment.

The convergence of computing, copying and printing technologies has attracted a large number of companies to the printing area for the first time.

Some are majors with a background in the reproduction and copying sectors such as Rank Xerox and Kodak. International Business Machines (IBM) has already entered the corporate electronic publishing market with a couple of printing products. Many in the industry believe that a larger and more direct entry can be expected by the computer giants such as

IBM and Digital Equipment Company.

As well as the major corporations looking at the growth and rapid changes in many areas of printing, a significant number of entrepreneurial new companies are being started to tackle niche markets.

It has become very difficult to keep up with all the advances.

"In the old hot-metal composition days, there were relatively few suppliers of printing equipment—now there are so many newcomers, all leapfrogging each other," Dr Arnold points out.

The BPIA is about to publish a new guide: "Buying Composing Equipment—The Questions to Ask".

"There are so many suppliers, that unless you narrow it down to three or four companies and spend half a day with each, you will never really know which one really suits your particular requirements," Dr Arnold argues.

In the international book publishing market "the key to the future lies in automation with the widespread introduction of micro-computers and microprocessors in order to raise productivity and improve consistency," according to the

publishing industry analyst, Mr Peter Curwen.

Mr Curwen, an economics lecturer at Sheffield City Polytechnic, has just published a comprehensive study of the world book industry. He believes that two quite different types of publishing operation will emerge. There will be a large number of small, financially efficient and highly specialised imprints and a contrasting sector of large multinational companies with subsidiaries worldwide.

Hardback books will be overtaken by quality paperback editions and increasingly business, reference and educational publishing will come in the form of new technology.

The Longman group, part of Pearson, which now controls Britain's largest publishing operation, has in recent years chosen to exploit the power of computer lexicography in-house, so that after ten years of development its lexicographical computer database is the most advanced that a UK publisher possesses.

Longman Cartmill, which is majority-owned by Longman, is a prominent example of an on-line database of scientific and technological expertise and facilities in British research

institutions, for use by industry.

New paperless publishing, such as on-line databases, have great advantages over conventional books where rapidly changing information is involved.

"This looks like being the one area where books as we know them might well become redundant," Mr Curwen argues.

Key questions

But will electronic systems eventually remove the need for printing in the conventional sense altogether?

When he comes in each morning Mr Alan Higson, Rank Xerox systems business marketing manager checks his electronic mail box to see if there are any messages. But his desk is still piled high with reports and other documents.

Rank Xerox estimates that from 1984 to 1990 the annual UK shipments of personal computers (excluding word processors) will have risen from 106,000 a year to 250,000 a year.

Despite such an increase, Mr Higson is convinced "the document in paper form is going to be around for some time to come." How it's produced and how many people will be involved is of course another matter.

* * *
The World Book Industry, by Peter Curwen, 264 pages, published by Euronavigator, 57-58 Turnmill St, London EC1M 5QU.



● While newspapers in Britain make their own headlines over the latest upheavals in Fleet Street, the impact of electronics is being felt in all other areas of printing and publishing.

This survey looks at:
The growth of corporate electronic publishing 2
The reprographics revolution 2
Pressure on print shops 2
Changes in business documentation 3
Typesetting systems 3
New print industry exhibitions 3
Labour relations 4
Multi-media developments 4
Text and graphics 4

RANK XEROX

Rank Xerox are world leaders in laser printing and the leading developers of software for document creation systems.

Just as we led the field in other important areas of reprographics, so too have we taken the lead in laser printing and document creation.

We now have an unrivalled range of sophisticated equipment to enable companies to produce

high quality printed material—completely in-house and in a fraction of the time and cost of conventional methods.

Our document creation systems can combine text and graphics to bring new speed and convenience to the production of technical and engineering documentation, sales tenders, company reports—indeed virtually all printed information.

And when you've created your documents on the screen only Xerox offers you the facility to transmit that information via a local area network or Ethernet to wherever it's needed. Then it can be printed ready for use—again using Xerox equipment. Our range of laser and electronic printers caters for every possible workload.

From the company that needs just a few

hundred pages a week, to those requiring thousands each day.

So when you begin to open your eyes to the potential of electronics in publishing, make sure you contact us first.

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ELECTRONICS IN PUBLISHING

Electronics in Printing 2

A major growth area

Corporate electronic publishing
RAYMOND SNOODY

CORPORATE electronic publishing (CEPS), the in-house production of everything from internal policy documents to maintenance manuals and formal proposals, is showing signs of dramatic growth.

As many as 16,000 companies in the UK are estimated to have some form of in-house printing capacity. For example, Boots, the pharmacy and retail group, claim to have the largest in-house printing facility in Europe—a printing plant which employs 485 people and which provides a high proportion of the company's print needs.

But what is rapidly changing is the ease and relatively low cost at which companies can install their own integrated electronic publishing systems and so avoiding the need to automatically send out work to commercial printers.

The falling cost of computing power and the speed of technological change has blurred the boundaries between copying and printing. And indeed many of the leaders in the emerging market of corporate electronic publishing, such as Rank Xerox and Kodak, are noted for their expertise in copying and repro-

duction. Mr Bob Boehner, general manager for electronic publishing at Xerox Corporation claims: "Corporate electronic publishing is one of the most important growth markets in the world today. The corporate publishing market meets the classic definition of a growth market: a market which offers increasing value to customers at a declining total cost."

Personal or mini-computers working together with software which enables text and graphics to be integrated electronically and printed by laser are proving to be a powerful combination.

Some estimates of the corporate electronic publishing market in the US put it as high as \$9bn by the end of the decade. In Britain the sector may be about a third as big, but a collection of new electronic publishing products come to the market.

Kodak has just launched its first product in the area, Keesee, the Kodak Ektaprint Electronic Publishing System, which will go on sale in the UK in April. The system, based on a DEC 32-bit mini-computer, costs about £30,000 and is aimed at the middle of the market. Keesee integrates word processing, personal computing and printing and Kodak hopes it will be used for everything from the production of newsletters to legal, financial and insurance documents and scientific and government reports. Launched with the system is

a high resolution scanning device capable of turning paper-based images into digital form and transferring them to the Keesee workstation where they can be sized and edited.

Mr George Briggs, Kodak manager for electronic printing and publishing says: "This is a logical step for us. We already understand totally the life cycle of an office-based document."

Mr Briggs emphasises that Keesee is Kodak's first product offering in the area but that the group intends to extend its presence to both the lower and upper reaches of the market. Mr Keith Howard, marketing manager of Gestetner, which has just launched a new desk-top electronic publishing system, concedes that the market is a new one but he believes it will prove to be dynamic.

Advantages

In-house publishing gives companies greater control and flexibility with printing work being carried out in the sequence that best suits the company's needs, he points out. There is also increasing emphasis within organisations that even documents intended only for internal use should look good and be easy to assimilate. Gestetner already sells a wide range of reprographic processes, offset printers and copiers and the new system is intended to enhance and complete the range.

The desk-top system, which uses an Apple Macintosh per-

sonal computer and a laser writer, will sell for about \$11,000. The use of an offset printer would take the cost to between £15,000-£20,000.

Professional looking documents can be produced by relatively inexperienced staff—"If you have got someone who is a competent typist, you are home and dry," says Mr Howard. There does not, however, seem to be a single solution to every company's documentation needs. Copying, instead of printing, is still adequate for many short-run purposes and, according to a new study, small offset printers can also compete very favourably with the latest laser printing technology.

The study by the Printing Industries Research Association (PIRA) shows that the economics of short-run print production are complex.

"Different production methods can easily vary by factors of five, and sometimes 10, in the cost/copy for a given product. In one case a laser printer is shown to be the most economic printing method up to around 700 copies; in another case, perhaps only 100 copies," the PIRA study argues.

But whatever the cost of different methods of printing short runs, the range of possible solutions for corporate electronic publishing are expanding all the time.

Rank Xerox are bidding for leadership with a range of systems running from personal publishing systems right up to systems costing as much as



Gestetner's managing director, Mr Roger Annett, his company has launched a Gestetner desk-top publishing system, which uses the Apple Macintosh computer.

£300,000 for systems run by mainframe computers.

The European market for electronic publishing systems alone is expected to grow to \$100m a year by 1991, Rank Xerox believes.

Rank Xerox is about to launch a personal publishing system costing about £17,000 and three new integrated publishing systems based on DEC VAX computers ranging in price from \$50,000 to \$250,000 will be introduced to the UK market over the next two years.

Mr Alan Higson, Rank Xerox systems business marketing manager, believes that staff learn better when documents are printed to a high quality.

"PIRA multi-client study on short-run publications is available to members of PIRA only."

Remorseless impact of digital technology

Reprographics
KEVIN TOWNSEND

THE MOST significant single trend within office equipment during the latter half of the 20th century has been the remorseless movement from analogue to digital technology. This now applies as much to reprographics as it does to the telephone or the computer.

Consider the quintessential reprographic tools—the copier and the camera. Both effectively rely on the analogue waveform of light to transfer an image from the source to a recording medium; and both have been, in one form or another, the backbone of the reprographics industry for many years. But they each suffer from one particular drawback: the reproduced graphical image cannot be edited.

The only alterations that are possible are those that obey the physical laws of light waves. Images may be enlarged or reduced by the use of mirrors and lenses and whole areas can be delegated by masking. But the only "editing" that is possible with traditional film and photocopied images is via the use of scissors and glue—that is, collage.

Collage techniques have now reached an advanced stage. The Romeo Alcatel 215 copy-editing system will allow the operator to use an electronic pencil "to trim, box, delete or centre an image."

But now consider the basis of digital technology. A picture can be stored in the digital memory of a computer as a long series of instructions that define the precise position of thousands of dots. When placed "framework," these dots will together within a defined form a coherent image (remember the effects produced by the pointillist painters).

Furthermore, if the image can be stored in a computer memory, then computer techniques can be used to edit that image.

Once you have electronic data, there is the opportunity to process, store, archive and transmit the data by telephone, digital network, and even satellite," says Patrick Mitchell of PA Technology. This is the great advantage of digital technology, and why it will replace analogue technology.

The ability to store and edit a digital image has been available for many years. The real problem, however, is in getting the image into the computer memory fast enough, and in reproducing the edited image in a

ufficiently high resolution, to provide a realistic alternative to photography and photoduplication.

Recent developments in "scanning" for input, and high quality computer "printing" for output are beginning to make this possible. Once again, the technology has been available for some years, but before now the equipment has been so large and so costly that only the largest corporations, government or military establishments could afford them. Now the micro-computer revolution has brought them to the desk-top—and the implications are enormous.

The key to reprographics is still the humble photocopier. Now, however, it is not the simple analogue lightwave that is used, but the precise manipulation of computer methods under human control. The image is no longer transferred by lightwave from an original source to a photosensitive drum (photocopier), but is written by laser directly from a computer memory (laser printer).

Capability

The contemporary "baby" laser is capable of printing at a resolution of 90,000 dots per square inch, and can print between eight and 12 pages a minute. The system can cost less than \$3,000.

There are, however, many differences between the laser printer and the traditional computer printer. The laser system can produce text-quality superior to the daisy-wheel and at much faster speeds—but it can also be used as a reprographics machine capable of very high quality. It solves the problem of digital input—leaving only the problem of digital input.

The more advanced systems are able to store an image to the same resolution as the laser printers can output them—and can record many different shades of grey between black and white. Once in the computer, the image can be edited by a wide range of graphics programs, or simply sent to the printer for reproduction. Now consider the implications as regards the vast number of small and medium-sized photocopyers scattered around the

buildings of large organisations. By converting them to laser printers attached to a computer network, the humble photocopier becomes the electronic postman of the future—distributing documents, graphics and photos to wherever there is a laser/copier.

The facsimile industry, one of the fastest growing industries of the decade, will be leap-frogged and left behind. Indeed, Rank Xerox goes so far as to suggest that reprographics as we know it today will eventually disappear altogether.

And why? Because digital reprographics is ultimately no more than the logical output of digital computing. This means that any computer printer capable of reproducing a sufficiently high quality resolution can be used as a reprographics engine.

We have already reached the beginning of this era. Versatec Electronics, a member of the Xerox Group, has recently announced a full-colour electrostatic printer/plotter capable of producing "almost" camera-ready output.

Although laser printer quality is suitable for most office publishing situations, it is currently in monochrome only. But this will change—and more quickly than many users realise.

If full colour screens can be produced by mixing the three primary colours, then there is nothing to prevent full colour printing by a similar method. Basically, all that is necessary is three separate drums overlaying different coloured "dots" on to the same sheet of paper. We are at the beginning of the integration of office and reprographics technologies. This will bring large computer manufacturers into the reprographics market, and it will threaten many of the smaller reprographics companies. We are likely to see a plunger movement, with computer giants such as IBM moving towards reprographics from office computing; and companies like Rank Xerox moving towards office computing from reprographics.

At first, these giants will concentrate on corporate accounts and large systems; and there will be room for many smaller companies and smaller systems—such as the desk-top publishing system available from Apple. But if the traditional reprographics companies do not adapt, they will not survive.

Gestetner is one company that has seen the trend and adapted, as indicated elsewhere in this survey. Long known as a leading reprographics company, Gestetner has adopted Apple's Macintosh-based Desk-Top Publishing system and integrated it into its own reprographics products.

Ultimately, the winners in this sector will be those manufacturers who have a stake in both computing and copying—and most of these are Japanese. Already, the copying "engine" at the heart of most Western desk-top laser printers use Japanese products: Hewlett-Packard, and Apple have selected the Canon printer, while Digital Equipment Corporation has chosen a Ricoh printer.

Pressures on print shops
KEVIN TOWNSEND

NO INDUSTRY has ever achieved such sustained and continuous growth as the publishing industry. If one defines publishing as the "recording of data on a medium and in a form that can be used to disseminate that information," then one sees that publishing existed long before Caxton developed the press.

Publishing has been around as long as civilisation—indeed, cave paintings can be seen as

an early form of publishing. The move from cave walls to digital archiving should not be seen as a series of revolutions in publishing, but as a single continuous line of evolution.

The only things that change through new technology, says Alan Higson of Rank Xerox, "are the vehicles that are used to achieve the end-result known as publishing." It is humanity's insatiable appetite for more and more published information that has driven the industry to devise better, faster and more efficient means of publishing.

This definition of publishing implies that in-company or in-house office publishing (documents, reports, tenders, and so

on) should not be viewed as conceptually different to book publishing. Indeed, office publishing is as large and as important a publishing market as the more traditional book and magazine publishing market—and, if anything, growing at a faster rate.

The demand for office publishing has produced recent phenomena: the High Street print shop. Small companies unable to afford their own printing facilities can take an original document to a local print shop for computer typesetting and high quality off-set printing, within short time-scales and at low cost.

But it is this very area of office publishing that many

major computer manufacturers now see as an important market. The large manufacturers (IBM, Rank Xerox, and so on) will inevitably seek the large corporate users—but since this market makes little use of High Street printing, it is unlikely to affect this sector of the printing industry.

Many of the more forward thinking print shops are already adapting to the new demands. Such companies have long relied on computer typesetting (Compugraphic, Linotype and so on). Now they are beginning to interface standard desk-top microcomputers to provide the input. For example, PD Graphics, a small design and printing company in Fleet, has front-ended its Linotype type-

setting system with an Intermedia disk conversion system. The result is that it can receive disks from any of hundreds of different microcomputers, and convert the contents to the format required for its Linotype machines.

Farnham (Oxford) is a similar organisation. Recognising the importance of the burgeoning microcomputer market, the company long ago wrote its own program to convert standard ASCII text files held on a local manufacturer's EML 8602 microcomputer to provide input to its Compugraphic typesetting machines.

Since then it has added a Xitan disk conversion system to enable copying from virtually any format. The result is that users can key their own typesetting, and save on both time and costs while simultaneously increasing on accuracy.

Similar organisations are appearing throughout the country. In Basingstoke, the local Wordplex bureau has interfaced Wordplex equipment to a local printing company, and now provides instant, accurate typesetting for Wordplex users.

Such adaptation to new developments is essential if the High Street printer is to compete in the changing office publishing market.

But what exactly is the threat? One of the best examples comes from the Postscript system developed by Adobe Systems in the US. This is the system adopted by Apple for the Macintosh-based Desk-Top Publishing System.

It is actually a device-independent language for describing the page to be printed. It means, in theory, that Postscript can be incorporated into any laser printer, and that it can be used by any microcomputer that runs any software package that "drives" or outputs to Postscript standards.

If we examine the Apple system, we find that it comprises the Macintosh computer running a software package called Page Maker and attached to a LaserWriter printer. Inside the LaserWriter is a second powered microcomputer devoted to running Postscript.

The result is that pages can be designed on the Macintosh screen by Page Maker before being assembled and typeset by Postscript and printed by the LaserWriter (for a total cost in the region of £8,000).

This concept is now setting the standards for desk-top publishing. It has been adopted by Apple, but is not exclusive to Apple. Dataproducts, one of the world's major computer printer manufacturers, has developed its own Laser printer with Postscript. This too, can be driven by Page Maker—but this time Page Maker can be situated on either an IBM PC or a Mac.

At the moment, the only Dataproducts printer available is an expensive 20+ pages per minute system; but a cheaper desk-top system will become available in the IBM PC will be able to "upgrade" his word processor to a publishing system by the addition of nameplate software (say, £500) and a Postscript laser printer (say, £5,000-£8,000).

When that happens, the High Street printer will need to compete far harder to survive. For all but the most prestigious typesetting demands, laser typesetting will be sufficient.

It would seem that a judicious adaptation to the changing market by careful adoption of new technology will continue to provide a thriving market for the High Street printer—but only if he adopts the same technology that currently appears to be a threat.

The first name in desk top publishing

Gestetner, a world leader in reprographics, introduces the Desk Top Publishing System. At last, create professional documents in-house without highly skilled staff.

Text can be combined with illustrations, graphs and diagrams. Complete pages are assembled on the screen just as they will appear in print.

Using professional type styles, Laser output gives superb copies which also serve as originals for Gestetner's full range of reprographic processes.

Ideal for a wide range of work, the Gestetner Desk Top Publishing System saves money on materials and outside services whilst providing the security and convenience of in-house control.

And, at less than £11,000, the System is a breakthrough in performance and versatility.

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ANOTHER PUBLISHING RECORD

● The number of books published in the UK has again hit a record level. In 1985, "The Bookseller" recorded an issued total of 53,994 titles (against 51,555 in 1984). The largest total was made up of 41,254 new titles—2.5 per cent increase on the previous year.

● Britain's leading publishers include: Pearson Longman includes Penguin, Viking, Michael Joseph, Hamish Hamilton, Sphere, Longman and Pizzani. Market share: 16%.

● Collins includes Fontaine and Grafton (formerly Granada). Market share: 9%.

● HPCO, Pergamon includes MacDonald and Futura. Market share: 8%.

● Oxford University Press. Market share: 8%.

● Octopus/Helmsmann includes Brimacombe and Secker & Warburg. Market share: 6%.

● Associated Book Publishers includes Methuen, Macgibbon, Routledge, Kegan Paul, Eyre and Spottiswoode, Sweet & Maxwell. Market share: 6%.

● Reed includes Hamlyn, Butterworth. Market share: 5%.

Source: The Bookseller: Publishers' Association.

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● Reed includes Hamlyn, Butterworth. Market share: 5%.

Source: The Bookseller: Publishers' Association.

● The number of books published in the UK has again hit a record level. In 1985, "The Bookseller" recorded an issued total of 53,994 titles (against 51,555 in 1984). The largest total was made up of 41,254 new titles—2.5 per cent increase on the previous year.

● Britain's leading publishers include: Pearson Longman includes Penguin, Viking, Michael Joseph, Hamish Hamilton, Sphere, Longman and Pizzani. Market share: 16%.

● Collins includes Fontaine and Grafton (formerly Granada). Market share: 9%.

● HPCO, Pergamon includes MacDonald and Futura. Market share: 8%.

● Oxford University Press. Market share: 8%.

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Electronics in Printing 3

Traditional boundaries disappear

Business
documentation
BORIS SEDACCA

ELECTRONIC PRE-PRESS, the application of computer technology to text, image and graphics origination, is spreading beyond the traditional boundaries of the commercial printing and typesetting markets towards corporate electronic publishing systems (CEPS).

At the simplest level, software is available which allows standard personal computers to be used as typesetting keyboards, allowing the user to input data in a number of modes and output documents in various formats, from laser printed pages through to camera-ready "repro" work.

In the US alone, industry sources estimate that the market for electronic publishing will exceed \$100m by 1990. Compiling technical manuals and product catalogues has always been a lengthy process, and once a manual has been published it is often too consuming and costly to update individual sections regularly.

With electronic publishing systems, technical information for a company's product manual including line drawings and specifications can be produced and easily updated either section by section or as a whole.

Specific parts of a catalogue can even be tailored to different marketing regions or dealer groups.

Break through
Perhaps the most significant breakthrough, apart from the constant improvement in quality of high resolution graphics images being created on screens, is the decoupling of the photocopy's printing mechanism from optically-generated imaging.

Images may be generated by digitally-controlled low-energy lasers instead. One problem, according to Paul Smith, managing director of Electronic Printing Systems, is that if every laser printer has its own dedicated software, then it means that everyone's software is going to be different.

"The manufacturers want to tie users to their own products," he suggests. Examples include IBM's language, Hewlett Packard's PCL, PostScript, written and compiled by Adobe in the US, a language which has been

adopted by Apple for its LaserWriter, and the Xerox command language. All of these languages are vying for the market.

Smith's customers include Schroeder Life in Portsmouth which is producing all its policies and insurance documentation at the same time as it produces the text or the data; and AT&T and Philips Telecommunications who are using it throughout Europe for the production of manuals for their large telephone exchanges.

Needless to say, all the major repro manufacturers have taken a stake in the market for corporate electronic publishing systems. Gestechnor Desk Top Publishing is a complete system, including an Apple Macintosh computer with high-definition screen, a laser printer and a carefully integrated set of software that the company claims compares in power to systems many times the price.

Media Print, a successful group of instant print centres in central London, is also using it to prepare originals for reproduction in a variety of documents to customer order, mainly in the area of sophisticated documentation rather than the saturated market for compliance slips and the wedding invitations.

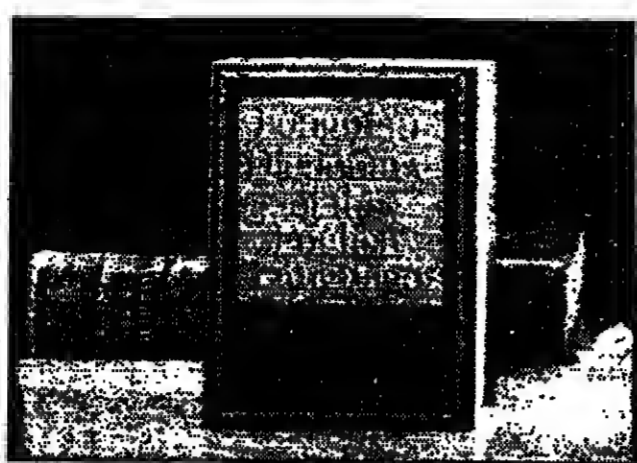
The Kodak Ektaprint Electronic Publishing System (KEPS), the first made by Kodak into the electronic office publishing market, offers the means to originate and reproduce documents to near typeset quality with a range of type styles, fonts, graph and chart formats (see opposite page).

A retrofit kit has also been developed by Kodak Copiers enabling existing Ektaprint users to have their units modified to produce Accent Colour. Once the colour cartridge has been fitted, the user operates the copier in exactly the same way as he would when making black and white copies.

Intergraph, a leading supplier computer added design (CAD) equipment, recognises the importance of technical documentation publishing some two or three years ago.

Intergraph has installed dedicated technical publishing systems in its own offices, as well as in Texas Instruments, Rockwell International, Hughes Aircraft, Ford Aerospace and Illinois Bell.

The company has received two substantial European orders, one from Technal in France, a manufacturer of aluminium frame windows and one from The 3rd of May Shipyard



Contrasts in book production: the famous two-volume "Dr Johnson Dictionary", published by Longman in 1755, which took Johnson and his assistants more than eight years to prepare, seen here behind Longman's major new dictionary of the English language. The 1,876-page volume was prepared with far greater speed and accuracy with the use of advanced lithographic computer processing.

in Yugoslavia for a \$2.14m system for use in technical publications' design and production.

Intergraph is involved in and supporting the Xerox Corporation's Interpress page description language for a common electronic printing standard for computers. Xerox has in fact standardised on Intergraph CAD/CAM systems for all of its engineering design and manufacturing work.

Last April, Apollo Computer announced an OEM agreement with a Massachusetts-based company, Interleaf, to integrate Apollo's Domain workstations with Interleaf's Workstation Publishing Software.

Mr David Howes, managing director of Apollo Computers (UK) suggests that "technical publishing is one of the fastest-growing markets for technical professionals. Analysts estimate it will grow over 500 per cent this year alone."

In the UK there are perhaps 500,000 companies which have a printer, requiring some 12,000 of these companies are served by their own in-plant print department, according to Mr David Sear, general manager of AM Multi-graphics of Hemel Hempstead.

STOCKBROKERS SET THE PACE

HIGH SPEED automation is now a feature of stockbroker print rooms in the City of London. Simon and Coates, for example, has made a name for itself as being one of the first to produce "budget specials" — these reports are distributed overnight to 1,600 institutional and private clients.

Such a project demands close links with the in-house print department, which receives material from the firm's economists shortly after midnight.

In order to catch the last post from Mount Pleasant, sorting office, they have only three hours to produce 2,000 copies of the complete report, to be on eight typeset, A4 pages, printed on Rotaprint offset litho presses. The firm also relies heavily on an Ordibel 20-station collator with an on-line folder, stitcher and fore-edge trimmer which can handle up to 2,500 booklets an hour.

Simon and Coates' printing volume has increased to around 200,000 sheets a month of which 100,000 are collated, folded and stitched on the Ordibel equipment.

Grievson Grant are also among city stockbrokers who have installed advanced typesetting equipment. They use an eight-terminal front-end system with no in-house typesetting, of Frome, Somerset.

Reliability is a key factor and in the year since installation of the system it has proved "more than a match for the intense 9.30 am to 7.30 pm typical day and for all-night sessions when 24-hour reports must be on the desks of between 400 and 2,000 institutional investors the following morning," says the firm, which is now buying a further £30,000 worth of additional computing capacity.

MIKE WILTSURE

New print exhibitions planned

ONE MEASURE of the growing importance of corporate electronic publishing systems is the number of exhibitions covering the subject.

Last November, Online International staged an exhibition and conference called "Electronic Publishing" at the Wembley Conference Centre in London, and plans for the 1986 event (September 2-30) are now well under way.

According to Judith Trafford, promotions manager for Online, this year's "hot topics" will be pre-press, desktop and corporate publishing.

Pre-Press 86, the Pre-Press and Corporate Electronic Publishing Show, will be held at the Barbican Centre in London from November 26 to 28 this year. The organisers, Industrial and Trade Fairs, are arranging a conference to run concurrently with the exhibition.

Key industry figures from Europe and the US are being invited to give papers on a range of topics, examples of which will include linking electronic pre-press and corporate publishing to outside users and database.

Another new exhibition providing evidence of the convergence of the printing and information technology industries has been announced by the organisers of the annual Info show, BED Exhibitions, organisers of Repro Workshop (the London Printing Show) at Olympia, October 7-10 1986.

The new event, Electronic Pre-Press 86, will focus attention on the expanding market for in-house electronic printing and publishing and will run concurrently with Info 86 at the same venue—Olympia—from March 24 to 27 1986.

Visitors to EEP 86 will see how the latest electronic page make-up, text-handling and digital imaging technology offers big saving in time and cost, compared to conventional methods of production.

Other new events this year include Primis 86, an exhibition and conference of computer-based management information systems for the printing industry (March 12-13), organised at London's Hotel Russell by the British Printing Industries' Federation.

BORIS SEDACCA

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More micro systems launched

Typesetting and word processing

COLIN COHEN

THE PRINTING industry is all-pervasive. Every town will have its quota of printers ranging, in some instances, from the industrial plants who print magazines, down to the high street instant printer. Yet, despite being so widely distributed, the industry is rarely in the news, unless there is a dispute in Fleet Street. Thus, few people, brought up on a diet of Fleet Street disputes, would guess just how different the attitude has been in the majority of the industry when faced with new technologies, compared to Fleet Street.

The most obvious difference is that Fleet Street's not metal typesetting—today, smaller and slower—has been reduced to museum status in the world of general printing. While it is true that a degree of union resistance to new technology has meant that much more typesetting is now done by specialised houses, this would almost certainly have happened anyway as the introduction of electronics to typesetting in the 'seventies made it possible to start up small, low-overhead, operations.

Long before microcomputers became common sight on office desks, typesetters were using specially-built keyboards to punch paper tape with the codes for the extended character sets needed.

Correcting or merging this information was difficult with the early minicomputers, and although large typesetting systems are still largely based on minis from American companies such as Digital Equipment and Data General, the software is often largely British, as are the majority of systems based on micros.

Such micro-based systems first became practical when a small Brighton company called Ocean Electronics realised the potential of the Apple micro. After making a number of installations in their own right

they persuaded Linotype, a subsidiary of the US Allied Corporation, to market it under the name of the APL.

This is obviously the most widely used typesetting terminal, and it was the use of mass-produced circuit boards and firmware from Apple which made it infinitely cheaper to use than specially-built keyboards.

Since then, there have been a host of other micro-based typesetting input terminals, largely designed to run on IBM PC-compatibles and, for many users, they have largely replaced the typesetter manufacturers' own terminals.

Initially, such systems as the APL, the Typecraft and Typecom (now sold by Howsons VEA, a subsidiary of Wickes) were no more than a cheaper way of doing exactly the same work as the conventional boards, and operators still had to enter all the complicated typesetting codes on the screen.

However, as all these systems were based on micros, more and more use was made of the hand processing power available, so that corrections and other editing tasks could be carried out as easily as on a word processor.

Software

With the advent of micros such as Apple's Lisa, followed by their Macintosh, several vendors have produced easy-to-use software which allows the user to see the page made up in columns on the screen in the correct typeface, before putting by a special link to a desk-top laser printer or even to a high quality photo-typesetter.

It is the advent of the "intelligent" micro-based system that has made possible taking the typesetting operation in-house for large users of type, as their operators now only need a limited training and, in the case of the latest WYSIWYG (What You See Is What You Get) screens, mistakes made by the operator were spotted sooner, and tiny coding errors could be corrected before they were committed to expensive photo-typesetting film or paper.

Corporate decisions on the subject are taken for a number

of reasons, but often the investment is made to give better control, or sometimes time savings, rather than on grounds of cost.

While many large in-plant typesetting departments utilise perfectly standard typesetting front end systems that would look equally at home in a large magazine house, this is often because the volume of work takes their requirements well outside the scope of even powerful micros.

For a good many users there is simply no perceived need to invest in a typesetting system of any kind. They are the companies which already have a word processing system of their own and have steered a path through the maze of communications to get their word-processed data typeset with no, or only minimal, re-keying by the typesetter.

Given that both typesetting and word processing keyboards use an essentially similar technology, it would not seem too difficult to transfer electronic data from one to another. The fact that this is now done on a regular basis and in large volumes should not disguise the essential difficulty of such an operation when it is done for the first time.

These difficulties are to do with disk formats, the different ways used by word processors and typesetters to structure their data electronically and the considerably larger number of codes needed by a typesetter to produce the typically complicated layouts in a variety of different type styles and sizes.

For every size of disk there is an almost limitless number of formats, so a breed of machines designed to convert disks from one format to another, called MultiDisk Readers (MDRs), has sprung up.

Three of these MDRs—the British InterMedia, and the American Altertext and Shaftal systems—have special software which, as well as reading a customer's disk in one format and writing a new one to match the typesetter, will also preserve or convert to a new structure any commands that an operator has put into the text.

At its simplest, this involves finding an underscore symbol

and converting the text to an italic format, but at a higher level it can result in the most complicated typographic structures.

To help this along, word processor operators can insert simplified typesetting codes as they type, such as [i] for a first level heading, or [b] for bold italic. This coding, which the British Printing Industries' Federation promote as ASPIC (Authors' Symbolic Prepress Inter-facings Codes), was developed by a small trade typesetter called the Electronic Village. It is probably the most popular of many such proprietary codes and has the advantage that the word processor operator does not need to know details such as type size or line length, but only whether a section is to be set larger or smaller than the section or word that precedes it.

Complex
Much more complicated is the so-called Cencode (Generic Coding) for which the Printing Industries' Research Association (Pira) has been co-ordinating the printing industries' reaction in preparation for Cencode becoming an international standard.

Optical character recognition has always been thought of as a rather poor relation in terms of copy input, with the exception of the US-built Kurzweil which combines sophisticated optics with a degree of artificial intelligence.

Interest in this area has been regenerated by the launch of two small systems from the US. One marketed by Quest Automation can be used as a PC add-on, while another is designed to increase the power of the Altertext MDR. Most recently, a small London software house showed a development machine which looks like having enormous potential in its range and, like the other two systems mentioned, has the ability to cope with graphics and not just text.

InterMedia is internationally recognised as the leader in media conversion and is sold throughout the world.

Colin Cohen has edited "The Inter-face Directory," a guide to inter-facings typesetting and non-typesetting equipment, to be published shortly by Pira.

Computer compatibility...



everybody's problem

Almost every office desk is now equipped with its own micro or word processor terminal, but the floppy disks they produce are not compatible with typesetters, laser printers, or even other computer systems. So this still means hours of rekeying, proofreading and correcting.

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Electronics in Printing 4

Technology brings union upheavals

Labour relations
COLIN COHEN

ANY DISCUSSION of labour relations in the printing industry in Britain is inevitably dominated by considerations of Fleet Street, where they vary from bad to very bad. While it is equally inevitable that, at present, Fleet Street should again dominate the news, it would not be reasonable to ignore a much wider industry which employs some 500,000 people in Britain, the majority of whom are members of one of the two main printing unions, NGA 82 and Sogat 82, so named from the year in which the unions were both restructured, following complex mergers.

The best figures available for disputes within the printing industry also include those for paper-making (a Sogat area) and publishing (a mix of printing and non-printing unions, but non-union in many areas), so ironically it has not been possible to isolate Fleet Street from the rest of printing.

Disputes

What the figures show is that last year an average of one hour and three minutes per man per year was lost through disputes, compared to an average for all industries of two hours and 22 minutes. While these figures may be influenced by including non-unionised publishing, the fact that only 13,400 workers were involved in these statistics show just how little inclination there is today for disputes outside Fleet Street.

At the risk of painting too rosy a picture of the labour scene, one may simply add that in 1983, after the demise of the industry's Training Board, the British Printing Industries Federation (BPIF), whose writ does not run in Fleet Street, set up a joint training structure with the NGA to replace the craft, fixed-time, apprenticeship structure.

Last year the agreement was extended to Sogat—whose members were, in general, not covered by apprenticeship arrangements. Not only was

printing the first industry to make such a move, but a key element in the scheme was to include in-career re-training.

As indicated elsewhere in this survey, new technology abounds in the world of general printing. While this has sometimes been implemented behind national union officers' backs, and manning may still be a little less flexible than on the European Continent, wages in general print are still low enough for the BPIF to have been able to tell the unions in the first round of the annual wages bout this month that their proposals, which would raise the national minimum to £100, could not be met.

While it may now be hard to find printers earning less than £100, there are certainly those outside London who do not earn a great deal more, and many who would be happy to take home in a week what some Fleet Street workers seem to take in a night. So why is Fleet Street so different, and how has the whole shambles lasted so long?

Perhaps the first taste that printers ever had of a "Murdoch style" came as far back as 1814 when *The Times* became the first paper to be printed by the first ever steam press. The then-owner, John Walter II set up an alternative press room and, on completion of the printing, is reputed to have walked into *The Times* and announced to his workers: "Gentlemen, *The Times* is printed." (Try it with a Murdoch accent.)

The NGA—and its predecessor, the Typographical Association—has had to cope with the introduction of "new technology" before—even the mangled Fleet Street Linotype will be celebrating its centenary this year. They often had to negotiate with employers whose style they found unattractive, and rarely had to confront as many technical changes as today, combined with rising unemployment, but it would seem that the Association's attitude was more open to change in the past than it is today.

In *The Typographical Association, Origins and History up to 1949* (Oxford University Press, 1954) its author, A. E. Musson, wrote: "In 1849, when the PTA (Provincial Typographical Association) was

established, composition was still entirely manual: by 1914 it was to a great extent mechanised, especially in newspaper offices. This 'industrial revolution' was extremely rapid, taking place mainly in the years after 1890. It presented by far the most serious problem which the TA has ever had to face."

In many ways it mirrors the breathless change from hot metal to computer typesetting since the mid-seventies in the rest of the industry. Opinion was divided in the Executive Council as to the policy to be adopted towards composing machines, "whether to oppose their introduction; or taking no heed of the question as one of machinery, solely to insist upon their being worked by journeymen or apprentices." It was eventually decided to adopt the latter course: the Council, "whilst unopposed (sic) to the introduction of composing machines," protested strongly "against any but journeymen or legal apprentices operating upon or distributing them."

This was a momentous decision, says Musson. The TA General Secretary, Richard Hackett, declared in 1900 that the association's success in dealing with the introduction of composing machines was "the result of the determination to secure an effective control over the working of these machines," instead of blindly opposing them. The proprietors of the *Bradford Times* refused, however, to abide by the apprentice rule, a strike resulted, and the office was "closed."

Resistance

Quite apart from chronic over-manning, the Fleet Street unions have long blocked technological change. Just two examples: it was in 1934 that *The Scotsman* introduced remote control of typesetters to the UK, yet last year it was still possible to see an operation in which three operators were required to set the same copy in London and Manchester, rather than just one.

In another case facsimile page transmission was developed in England by Muirhead Data Communications for *The Guardian* in 1953, but no British national newspaper used such a



system until *The Financial Times* started up in Frankfurt in January 1979.

Then, last year, a Sogat delegation visited the US and were appalled by the sight of so much new technology. The report they published was bleak, and seemed ill-prepared. However, it contained a very long report from *The Washington Post* of its own dispute in 1975. The union had struck, but the newspaper made alternative printing arrangements and eventually came back with new technology and no union. In publishing the article for its members, Sogat's leaders seemed to be saying "do not take on a company if we can't beat them." Every Sogat member was sent a copy.

Bound by the new industrial relations law in their dispute with Mr Rupert Murdoch's News International Group, both the NGA and Sogat held Fleet Street ballots, and were left with no room for negotiation. Some observers believe that when Brenda Dean said that it would be "the most damaging dispute that the UK has seen for a long time, including the miners," she meant damaging to a union.

Neither union is likely to recover in full its position in Fleet Street. (Even if Mr Shah goes to the wall, the "Shah effect" is now unstoppable.) Meanwhile, the NGA is left paying £35 per week benefit for six months to its ex-newspaper members, on top of its already crippling unemployment costs. Both unions will also have massive legal bills to meet.

Some observers may feel that the ultimate irony must be that while the unions were watching out for Fleet Street's highwaymen in the form of employers, they were in collision with "friends" in the EEPFU. Readers with longer memories may recall that a quarter century ago it was these same electricians who were forever stopping production by refusing to switch on power, while the print unions would not have dreamed of doing it for them.

Tough target for researchers

Integrating text and graphics
COLIN COHEN

THE INTEGRATION of text and graphics has become a target for both systems manufacturers and users within the printing industry and has, over the last decade, consumed enormous resources. There is every logic behind the wish for it to happen, but the problems have proved very difficult to solve, firstly in technical terms and secondly on a realistic cost basis.

Readers who are used to using micros with graphics capabilities and then printing the results out on a desktop laser printer may wonder what all the fuss is about, so it is worth pointing out why the integration of text and graphics has proved so difficult. Almost all laser printers now have a resolution of 300 lines per inch, which means that when any text or graphics is printed out it has first to be built up into a page "map" dot-by-dot. A micro-based system can cope with this problem as only 90,000 bits of data are needed per square inch of paper.

In the printing industry, the British-designed and built Monotype Lasercomp has become a world-standard output device when it comes to combining single-colour text and graphics at a resolution of 1,000 lines per inch—or 1,000,000 bits per square inch.

But, even at this resolution, many people consider that it is only possible to produce indistinct, blurry text and graphics, and that for decent quality magazine work something like 2,500 dots per inch (8.25mm dots/sq in) are needed;

to do it in colour more or less quadruples the amount of information and the problems involved in handling it on a computer.

At the lower end of the scale the standard has been set by Apple's Macintosh, running a £500 program from the US Aldus Corporation, called PageMaker. On a small scale it incorporates all the features of the larger graphic arts systems such as Atex that have started to go into Fleet Street (and Wapping), which is hardly surprising as it is now staffed by many ex-Atex people.

As the Macintosh supports a relatively standard page mapping language called PostScript, the pages can be sent to a high-resolution typesetter, but without the ability to manipulate high-resolution graphics. Output usually goes to Apple's A4-sized Laser Writer (a version of a Japanese Canon laser printer), but more recently it has been shown driving a 26-colour per minute A3 printer from the US Dataproducts and printing on both sides of the sheet.

Such a program can be run on a Mac as long as it has a second drive, and is ideal for producing very business-like publications which most people will think came from a professional typesetting system.

Companies such as Atex also manufacture versions of their systems for corporate use, but prices for systems that are based on the larger Digital Equipment Corporation are of a quite different order, being similar to their rivals such as the British Miles 33 or US Penta Corporation.

In a production environment they typically have to allow for all current information being stored in duplicate to protect users from a system failure and to cope with storing photos at a resolution which is high enough to allow them to be enlarged and still be output at a graphic arts quality.

Atex system

Against this background it is perhaps not surprising that Kodak (who now own Atex) did not use any Atex components when they launched their own Keeps (Kodak Ektaprint Electronic Publishing System) earlier in the month. Instead, they have used software from the US Interleaf Corporation who has made a formidable reputation for system integration in this area and have added a "Kodak-user interface".

The system runs on a 32-bit super-micro using a well-known Unix operating system. For the time being it looks as if systems such as the Mac+PageMaker (of which Gasetner are going to be selling an enhanced version) will make the running in the smaller installations, while the new breed of 32-bit machines (of which Xyvision is

but one example, and the PrintMaster package now being marketed by Langston Electronic Publishing Systems) will be able to cope with most corporate installations where text and graphics are integrated. Meanwhile, the mainstream printing industry will provide the market place for companies such as De La Rue's Crosfield Electronics (now on their seventh Queen's Award), the German Hell, or Israeli Scitex—with the Japanese, for once, being last in this electronics market place in the form of Dainippon Screen.

Finally, there is an intermediary system, which will not cost the £500,000 typical of a small Crosfield design and production system, versions of which are now used to design and produce both Time and Newsweek magazines. It has been pioneered with great success for TV news programmes worldwide by another British company called Quantel. This allows designers to input graphics and "paint" electronically and animate their work, before outputting the result as a 35mm transparency.

While the system was primarily designed for TV use or for business graphics, recent enhancements have made it possible to use these 35mm transparencies for an entire A4 printed page. Many of the companies operating in this complex sector will be exhibiting at the first Electronic Pre-Press exhibition to be held at London's Olympia from March 24-27.

New horizons in publishing

Multi-media developments
BORIS SEDACCA

CONVERGING technologies are opening up new horizons for the publishing world that go far beyond the printed page. Communications networks, local area networks, videotex, cable and satellite technologies are all interlinking—but no sooner does a standard emerge for one information medium than a new medium supersedes it.

In the City of London, for example, everybody is trying to win a piece of the action in the new deregulated environment of the "City Revolution," in preparation for the "Big Bang." Wall Street has seen it all before and is some years ahead of London.

In the past, financial information service-providers, such as Reuters, for example, only supplied their information in video form. Customers had to buy the "black box" which decoded the information coming in over the wires.

Dealing desks are becoming increasingly cluttered with multiple terminal screens and keyboards to computers and information services, so now customers are demanding that the information be supplied in digital form, making information from various sources accessible from a single terminal.

US-based Micrognosis spotted an early opportunity in this market. The first Micrognosis Trade System was installed in 1979 at Citibank Moneymarket in New York with 40 workstations. Control Data bought a 40 per cent stake in Micrognosis in late 1984, which had about 40 installations throughout US by then.

The first digital Micrognosis system was installed in November 1983, at the First National Bank of Chicago with 150 workstations, but there are now over 170. This required a complete rebuild of the dealing floor.

Database

The separation of the structure of information from its content is one preoccupation of Abbey Information Systems. John Maslin, a consultant for AIS, describes the use of such services at Uniparts for parts list accessed from a large database.

"You can go in by car, model, supplier of part, type of part. A major part of this work is typeset, but we have been involved in a recent project using interactive videodisc, explaining for example, what to do to prepare a car for winter, combined with a database of the relevant part numbers. A local videodisc with small database of part numbers is constantly updated on IBM compatible personal computer," he says.

AIS is also involved in the creation of generic tools to prototype interactive programs, including moving pictures, stills, sounds, commentaries and computer-generated data.

John Maslin explains that "with complex combinations of

this kind, the problem is one of getting experts to speak the same language using flowcharts which are mounted and then cut up into little bits for all the individuals concerned. What we are working on is virtually an electronic sketchpad."

Datavolve, a Thorn EMI Information Technology company, currently markets two major online information products: World Reporter and World Exporter.

Originally developed in a joint venture with Datavolve and the BBC, World Reporter is the UK's largest full-text international news and current affairs service, offering a 250m word database of authoritative sources, such as the *Financial Times*, *The Guardian*, *The Washington Post*, *Asahi News Service*, *The Economist*, *The Associated Press*, the BBC Summary of World Broadcasts and the BBC External Services News.

World Exporter is a business intelligence service to help organisations trading overseas identify new opportunities and assess associated risk and financial implications. As well as business media sources, it includes databases from The British Overseas Trade Board, Plans and Projects Monitor, Euromoney and Sales Leads International.

Datavolve has helped a wide range of organisations develop and maintain online information services, including both private services to meet in-house needs as well as public services for publishers expanding into online markets. Clients include Longmans, Websters, British Petroleum, British Steel, the Consumer's Association, Mintel, WS Atkins, Cranfield Institute of Technology and Whitehall Press. The company is a major publisher of travel related information, is part of Reed Telepublishing, formed in January 1984, to spearhead Reed International's move into electronic publishing. The company is a major publisher of printed material, from British Rail guides to airline timetables.

In 1984, ABG launched its Electronic range of products for the travel trade with a com-

puter-based version of its best selling World Airways Guide. This is delivered to the subscriber by Prestel, or by another private Travicom computer network.

The majority of travel agents already use one or other of these networks to access airline and hotel operator information. The ABC network allows them to look up air schedules and fares on the same terminal.

A year ago, the company installed a large IBM 3083 mainframe computer to support this development. The software for this was developed specifically for ABC by another Reed company, International Computerprint Corporation (ICC) of Port Washington in the US. ICC has wide experience in "word processing" and "publishing" and has recently been awarded a contract to computerise the Oxford English Dictionary.

FT SURVEY
Electronic
Financial
Services

THE SPREAD of financial information via the desktop computer terminal continues to increase as new services and data bases come on stream.

A growth rate of around 30 per cent a year seems likely to continue, encouraged by technological advances and by the spread of teletext and videodisc.

On Tuesday, March 4, a Financial Times survey on Electronic Financial Services will highlight the main growth areas in Europe, the US and Japan.

Writers will also examine the areas of credit-checking on systems and personal levels, full text on-line services, as well as advances in technology and the prospects for such services as teletext and Prestel.

GBT's Mentor provides interactive spelling check.

Mentor, the Newspaper typesetting system from GBT provides a fully interactive spelling check and hyphenation feature from a 50,000 word dictionary. Hopefully no-one will ever comment on spelling errors again.

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The system offers a unique low cost "soft preview" feature, which, added to autokerning and spelling check, enables journalists, advertising personnel and compositors to see, on

screen, how the printed page will look including house-styles and point sizes. This way they see it right before anyone else sees it wrong.

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Mentor's vertical counting facilities streamline advertising departments and allow journalists to write stories to a pre-selected word count, line count or number of column centimetres. Yet further justification for Mentor.

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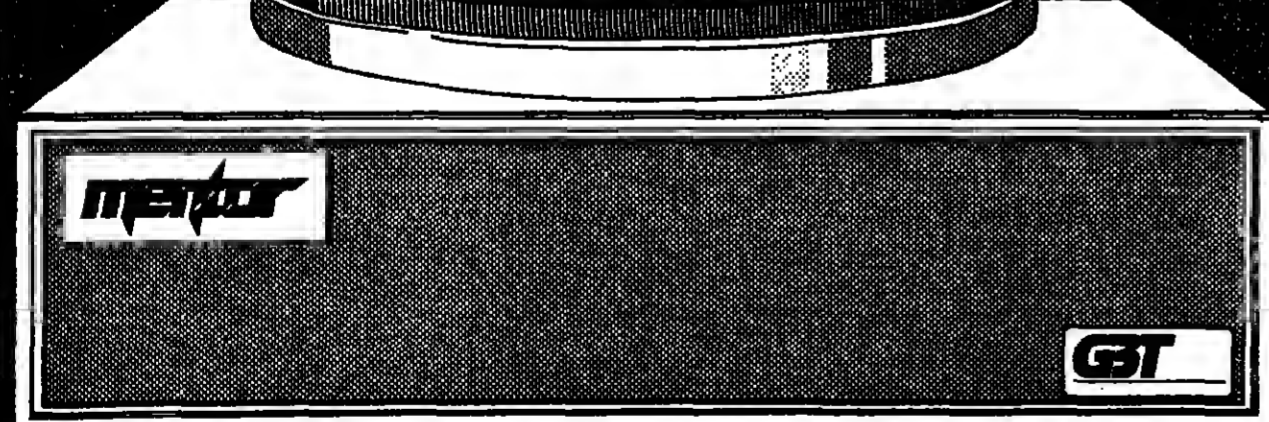
Mentor's applications software is a totally British pro-

duct, so the system can be quickly and easily adapted to specific customer requirements, including keyboard layouts. Permanently duplicated file storage provides security against data loss. Access to the system is protected by a special password feature. So, with Mentor all the right people get all the right information.

0-200

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Mentor is an extremely powerful system, based around a network of advanced microcomputers which can be expanded quickly and easily to suit your requirements. Whatever your expansion rate, Mentor can take the pace.



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FT COMMERCIAL LAW REPORTS

Norwegian request for evidence too wide

IN RE STATE OF NORWAY'S APPLICATION
Court of Appeal (Lord Justice Kerr, Lord Justice Glidewell and Lord Justice Ralph Gibson): February 12 1986.

THE ENGLISH COURT will not comply with letters rogatory issued by a foreign court requesting the examination of bank employees as witnesses in tax proceedings, if the request is in the nature of a roving inquiry and would not justify causing the bank to break its duty of confidentiality to customers.

The Court of Appeal so held by majority when allowing an appeal by Lord Kindersley, a director of Lazard Bros and Co Ltd, and Mr. J. Hardman, a former administrator of the bank, from Mr. Justice McNeill's order that they submit to a request made on behalf of the State of Norway to give oral evidence in proceedings in the Sandefjord City Court in Norway.

The Evidence (Proceedings in Other Jurisdictions) Act 1975 provides: "1. Where an application is made to the High Court for an order for evidence to be obtained in the United Kingdom... and the court is satisfied... (a) that the application is made in pursuance of a request issued by or on behalf of a court or tribunal... outside the United Kingdom; and (b) that the evidence... is to be obtained for the purpose of civil proceedings... before the requesting court... 2. (1) ... the High Court shall... have power... to make such provision for obtaining evidence... as may appear... appropriate."

LORD JUSTICE KERR said that Mr. J. Hardman was a wealthy Norwegian shipowner who died in 1982. The Vestfold County Tax Committee decided to raise a supplementary tax on the estate of Mr. J. Hardman for the years 1972 to 1982, on the ground that he had failed to disclose a large part of his assets.

Those assets were alleged to include the assets of a Panamanian company, Continental Trust Co (CTC), the CTC shares were part of the assets of a charitable trust formed in 1976. It was alleged that Mr. J. Hardman was settlor or in control of the trust and that he had failed to disclose a large part of his assets.

On November 3 1983 the estate brought an action in the Sandefjord City Court to have the assessment set aside. It also decided to appeal to the National Tax Committee (NTC) which formed part of the directorate of the State of Norway. There was no evidence that the NTC was a "court or tribunal". It appeared to act in an administrative capacity.

LORD JUSTICE KERR said that the request was made pursuant to the Evidence (Proceedings in Other Jurisdictions) Act 1975 which gave effect to the

UK to the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, March 18 1970.

The evidence sought in the letter of request included information about the trust, CTC's operations, trust funds, and relations between Lazard, CTC, the trust and Mr. J. Hardman. A request for documents was no longer pursued.

Lazard and the witnesses took strong objection to the request on a variety of grounds, including breach of a bank's duty of confidentiality.

Mr. Justice McNeill said it was clear that in many respects the request was seeking disclosure of documents under the guise of oral testimony, which was impermissible.

He did not strike down the letters rogatory but made directions to bring them within what was permissible, including a direction that no question should be asked of Lord Kindersley as to matters within his direct knowledge of the trust; and no question should be asked of Mr. Hardman as to matters within his knowledge as officer of CTC.

The witnesses appealed against his decision and asked that the order for oral examination be set aside. The State and estate cross-appealed for removal of the directions.

International country required that the court should give effect to the request of a foreign court, unless it could not do so.

Issue A was whether the Sandefjord proceedings fell within the ambit of the 1975 Act, as "civil proceedings" defined in section 9(1) as "proceedings... civil or commercial matter".

In ascertaining whether proceedings in a foreign court were "civil or commercial matter" the court addressed should first satisfy itself that they concerned a civil or commercial matter under the law of the requesting country. It should then only except that categorisation for the purposes of assuming jurisdiction if it was not in conflict with any fundamental principle under its own law.

Civil law countries drew a fundamental distinction between private law (droit civil) and public law (droit public). For the purpose of the European Judgments Convention "matiere civile ou commerciale" did not include disputes between a public authority and a person governed by private law, and any dispute concerning tax liability was therefore not a "civil or commercial matter" (see *Hagen* [1981] 3 CMLR 249, 313).

In the UK the distinction between public and private law was hardly known. There was no evidence that the NTC was a "court or tribunal". It appeared to act in an administrative capacity.

LORD JUSTICE KERR said that the request was made pursuant to the Evidence (Proceedings in Other Jurisdictions) Act 1975 which gave effect to the

have no jurisdiction to entertain an action... for the enforcement directly or indirectly... of a... revenue or other public law of a foreign state.

It was a principle of general international acceptance. It was open to doubt whether a request for evidence assistance relating to tax liability was properly describable as an action for the enforcement, directly or indirectly, of a revenue law. But the admissibility of such a request would certainly not command "general acceptance" and would probably be rejected out of hand by the courts of many countries.

If the request in the present case had been made in opposition to the estate, doubt it should have been refused. But the estate supported the request and had initiated it. That feature removed all objections.

Accordingly, on the special facts of the case, the appeal on issue B should also be dismissed. On issue C a submission by the witnesses that compliance with the request would infringe the jurisdiction of the UK or be prejudicial to its sovereignty was almost unarguable. The appeal on that issue failed.

On issue D it was submitted that compliance with the letter of request should be refused because the evidence would be available to NTC as well as to the Sandefjord Court. That was rejected. The primary purpose was to assist the determination of the action before the Sandefjord Court. That complied with section 1(a) of the Act.

Issue E concerned "fishing". The request was the search for material in the hope of being able to raise allegations of fact as opposed to the elicitation of evidence to support allegations which had been raised *bona fide*.

The scope of the present request was so wide it went far beyond the distinctive purposes of evidence and contained a great deal of impermissible fishing.

It had never been alleged that Mr. J. Hardman was more than beneficial owner of the CTC assets, whereas the scope of the questions comprised the assets and operations of the trust as a whole, which might well go beyond any connection with CTC.

Mr. Justice McNeill was clearly of the same opinion. In support of the cross-appeal it was submitted that the directions to bring the letters rogatory within what was permissible were inappropriate. Counsel for the witnesses had no real answer to those submissions.

The directions sought to distinguish between Lord Kindersley's "direct" and "other" knowledge as adviser to the trust, but how could that work? Most of his knowledge must have been derived indirectly from documents instructing him or from documents.

And how was Mr. Hardman to distinguish between knowledge acquired as officer of CTC and knowledge obtained as an employee of Lazard, possibly when assisting Lord Kindersley? There was no authority for the proposition that the court should in effect redraft a request.

The request was far too wide and the court was in no position to bring it into conformity with what would be permissible. The state and estate should reconsider their position in the light of the judgment of the court to pursue their request via the Sandefjord Court.

Accordingly the appeal was allowed on issue E. Issue F concerned confidentiality. It was submitted that in the circumstances the witnesses should not be ordered to break their duty of confidentiality by answering the questions raised in the letters of request.

In *British Steel v Granada* [1981] AC 1038, Lord Wilberforce said that the courts had an inherent wish to respect confidence between banker and customer. But, he said, the court may have to decide in particular circumstances that the interest in preserving this confidence is outweighed by other interests to which the law attaches importance.

The court must carry out a balancing exercise. In the scales on one side must be placed the desirability of assisting a foreign court, supported in the present case by both parties to the litigation before it.

On the other side there was the opposing principle that the court should give great weight to the desirability of upholding the duty of confidence in relation to matters which were clearly entitled to recognition and respect.

The balance was against compelling the witnesses to violate their duty of confidence. The factors leading to that conclusion were: (i) the subject matter of the request appeared unprecedented internationally and was probably contrary to the spirit of what was intended to be a "civil or commercial matter" if it lay in the field of tax gathering.

(ii) The extent to which the Lazard witnesses would be compelled to disclose banking confidence was very wide indeed. The request was in the nature of a roving investigation which might affect the private financial affairs of unknown persons.

(iii) Confidence in Lazard's ability to receive and maintain confidential information was a crucial part of its stock in trade and reputation.

(iv) The extension of international co-operation to tax evasion was a matter for treaty, not for domestic law. LORD JUSTICE GLIDWELL gave a concurring judgment.

LORD JUSTICE RALPH GIBSON, dissenting on the fishing and confidentiality issues, said that he would have dismissed the appeal. He agreed that the terms of the request were wide but said it would be for the state and estate to satisfy the court that the answers were necessary. The fact that it was not possible at the present stage to be sure of the limits to which they might be permitted to go was no reason to deprive them of the evidence. Also, the extent of permissible intrusion into the private affairs of bank customers could be effectively controlled within limits laid down by English law.

For the witnesses: Michael Cullen QC, with Nicholas Brakes (Lazarders and Partners). For Norway: Anthony Boswood (Freshfields).

By Rachel Davies Barrister

THESE REPORTS, together with full texts of judgments, are published in monthly volumes. For a complete details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0381.

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Authorised Unit Trusts (A) (B) (C) (D) (E) (F) (G) (H) (I

Manufacturers Life Insurance Co (UK)	Property Growth Assur Co Ltd—Contd
51 George V Way, Surrogate	PROP GRW FU
0438 356101	PROP GRW LBS UT

هكذا هو الأصل

[illegible]

Jaybor	27	Whitewater	18
Ladbroke	27	Uroboros	18
Legal & Gen	50	Mines	
Lee Service	24	Cons Gold	40
Lloyds Bank	35	Lombia	12
Lucas Inds	36	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

10 Baumstrasse CH-301, Zug, Switzerland
 Brev 544 January 11 1985 11,500 ...

Enjoys Game	35	Control	12
Lucas Index	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hovers above Y180

The dollar again tested the Y180 level in Tokyo, but traded quietly in Europe between Y180 and Y181, before closing slightly weaker on the day. The foreign exchange market was generally quiet, with dealers reluctant to take profits and cover short positions, for fear that the point may be approaching when central banks will intervene to stem the dollar's decline. There was no sign of support for the dollar by the Bank of Japan, and the German Bundesbank also remained out of the market, but the market was very close with New York closed for Washington's birthday.

A fall in US interest rates on Friday, with the yield on long bonds falling below 9 per cent, to a 64-year low, added to the bearish sentiment surrounding the dollar. Dealers await the testimony before Congress of Mr Paul Volcker, chairman of the Federal Reserve Board, on Wednesday, for official guidance on interest rates. The main economic statistic due this week is revised fourth quarter gross national product growth on Thursday.

The dollar fell to Y180.15 from Y180.10, the lowest level since October 31, 1978, and also fell to three pence below DM 2.3300 from DM 2.3400, and SF 2.7500 from SF 2.7600. Against the

French franc the dollar fell to FF 7.18 from FF 7.20. On Bank of England figures the US currency fell to the lowest since March 1983 at 119.9, against 120.4 on Friday.

STERLING—Trading range

(pence)

Close	Feb. 17	Prev. close
4 Spot	N/A	81.4815-1.4825
1 month	N/A	81.4815-1.4825
3 months	N/A	81.4815-1.4825
12 months	N/A	81.4815-1.4825

Forward premiums and discounts apply to the U.S. dollar

against the dollar in 1985-86 is 1.4825 to 1.4835. January average 1.4824. Exchange rate index closed unchanged at 73.4, compared with 73.3 six months ago. Sterling attracted little attention, rising 1 cent to \$1.4900, 1.4910, but falling to DM 3.3225 from DM 3.3300; FF 7.10 from FF 7.12; SF 2.7500 from SF 2.7600; and Y180.15 from Y180.10.

The D-mark improved against the dollar in quiet Frankfurt trading. The domestic bond market scored only modest gains

in spite of the strong performance of the US bond market on Friday, which took the yield on the long bond below 9 per cent. Any hope the Bundesbank might cut its discount or Lombard rates this week faded when the central bank offered funds to the money market at an unchanged rate of 4.50 per cent. At the Frankfurt exchange the Bundesbank did not intervene when the dollar fell to DM 2.3450 from DM 2.3500. This was the lowest

fixing for the dollar since January 1983. The dollar closed at DM 2.3395 in Frankfurt, compared with DM 2.3450 on Friday.

JAPANESE YEN—Trading range against the dollar in 1985-86 is 263.15 to 263.15. January average 263.15. Exchange rate index closed 192.5 against 192.5 six months ago. The yen continued to rise against the dollar in Tokyo yesterday. The dollar fell to a seven-year low of Y180.15 in Tokyo trading, but recovered a little on profit taking, and reluctance of dealers to take out further short positions until trading resumed in New York after yesterday's holiday in the US. In active trading the dollar finished at Y180.15, compared with Y180.10 on Friday. Lower US interest rates, and the fall of the long bond yield to a 64-year low in New York on Friday, given that the dollar's continuing weakness.

FINANCIAL FUTURES

Prices firm

Prices were higher on the London International Financial Futures Exchange yesterday, reflecting continued optimism about the future direction of US interest rates. London was left to make up its own mind about an appropriate level for dollar denominated interest rate contracts, with Chicago markets closed for Washington's birthday, and took March US Treasury bonds to a contract high. Minutes of the December Federal Open Market Committee meeting, indicated a slight easing of monetary policy, and consideration of a cut in the US discount rate. This, coupled with other factors, such as falling oil prices and low inflation but sluggish economic growth, contributed to hopes of lower interest rates. Further guidance on the economy will be provided by Thursday's revision of fourth quarter growth in gross national product. There was a note of caution however, with some dealers fearing that the fall in the value of the dollar will prevent an easy cut in US rates, while it was also noted that falling yields could lead to a flight of foreign funds from US paper. Mr Paul Volcker, chairman of the Federal Reserve Board, is likely to indicate the central bank's attitude to interest rates and the dollar, when he speaks to Congress tomorrow.

March US Treasury bonds opened at 89.10, and after touching a low of 88.06, closed at the day's high of 89.16, compared with 87.17 on Friday. June was the market focus, with Euro-dollar futures, but trading was in a very narrow range of 92.16 to 92.17, closing at 92.16, against 92.10 at the previous settlement. The dollar futures benefited from the strength of US bonds and the steady performance by sterling on the foreign exchanges. March delivery long term rates opened at 111.10, near the day's low of 111.00. The closing level of 111.20 was only just below the day's peak of 111.30, compared with 110.20 on Friday.

CURRENCY MOVEMENTS

Feb. 17	Bank of England	Morgan Stanley
sterling	75.6	N/A
U.S. dollar	112.3	N/A
Canadian dollar	122.8	N/A
Australian dollar	122.8	N/A
Swiss franc	122.8	N/A
Japanese yen	122.8	N/A
Deutsche mark	122.8	N/A
French franc	122.8	N/A
Italian lira	122.8	N/A
Spanish peseta	122.8	N/A
Portuguese escudo	122.8	N/A
Belgian franc	122.8	N/A
Dutch guilder	122.8	N/A
Irish punt	122.8	N/A

Morgan Stanley changes: average 1980-1982 = 100, Bank of England index (base average 1970-1972) = 100.

CURRENCY RATES

Feb. 17	Bank of England	Morgan Stanley
sterling	75.6	N/A
U.S. dollar	112.3	N/A
Canadian dollar	122.8	N/A
Australian dollar	122.8	N/A
Swiss franc	122.8	N/A
Japanese yen	122.8	N/A
Deutsche mark	122.8	N/A
French franc	122.8	N/A
Italian lira	122.8	N/A
Spanish peseta	122.8	N/A
Portuguese escudo	122.8	N/A
Belgian franc	122.8	N/A
Dutch guilder	122.8	N/A
Irish punt	122.8	N/A

*C/SOR rate for February 14: 1.47264.

OTHER CURRENCIES

Feb. 17	Bank of England	Morgan Stanley
sterling	75.6	N/A
U.S. dollar	112.3	N/A
Canadian dollar	122.8	N/A
Australian dollar	122.8	N/A
Swiss franc	122.8	N/A
Japanese yen	122.8	N/A
Deutsche mark	122.8	N/A
French franc	122.8	N/A
Italian lira	122.8	N/A
Spanish peseta	122.8	N/A
Portuguese escudo	122.8	N/A
Belgian franc	122.8	N/A
Dutch guilder	122.8	N/A
Irish punt	122.8	N/A

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

Feb. 17	Bank of England	Morgan Stanley
sterling	75.6	N/A
U.S. dollar	112.3	N/A
Canadian dollar	122.8	N/A
Australian dollar	122.8	N/A
Swiss franc	122.8	N/A
Japanese yen	122.8	N/A
Deutsche mark	122.8	N/A
French franc	122.8	N/A
Italian lira	122.8	N/A
Spanish peseta	122.8	N/A
Portuguese escudo	122.8	N/A
Belgian franc	122.8	N/A
Dutch guilder	122.8	N/A
Irish punt	122.8	N/A

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FT LONDON INTERBANK FIXING

Feb. 17	Over night	Three months	Six months	One year
sterling	124.15	124.15	124.15	124.15
U.S. dollar	112.3	112.3	112.3	112.3
Canadian dollar	122.8	122.8	122.8	122.8
Australian dollar	122.8	122.8	122.8	122.8
Swiss franc	122.8	122.8	122.8	122.8
Japanese yen	122.8	122.8	122.8	122.8
Deutsche mark	122.8	122.8	122.8	122.8
French franc	122.8	122.8	122.8	122.8
Italian lira	122.8	122.8	122.8	122.8
Spanish peseta	122.8	122.8	122.8	122.8
Portuguese escudo	122.8	122.8	122.8	122.8
Belgian franc	122.8	122.8	122.8	122.8
Dutch guilder	122.8	122.8	122.8	122.8
Irish punt	122.8	122.8	122.8	122.8

The fixing rates are the arithmetic means, rounded to the nearest one-tenth, of the bid and offered rates for \$100 quoted by the market to Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Feb. 17	Over night	Three months	Six months	One year
sterling	124.15	124.15	124.15	124.15
U.S. dollar	112.3	112.3	112.3	112.3
Canadian dollar	122.8	122.8	122.8	122.8
Australian dollar	122.8	122.8	122.8	122.8
Swiss franc	122.8	122.8	122.8	122.8
Japanese yen	122.8	122.8	122.8	122.8
Deutsche mark	122.8	122.8	122.8	122.8
French franc	122.8	122.8	122.8	122.8
Italian lira	122.8	122.8	122.8	122.8
Spanish peseta	122.8	122.8	122.8	122.8
Portuguese escudo	122.8	122.8	122.8	122.8
Belgian franc	122.8	122.8	122.8	122.8
Dutch guilder	122.8	122.8	122.8	122.8
Irish punt	122.8	122.8	122.8	122.8

Two reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas, Paris and Morgan Guaranty Trust.

NEW YORK RATES

Feb. 17	Over night	Three months	Six months	One year
sterling	124.15	124.15	124.15	124.15
U.S. dollar	112.3	112.3	112.3	112.3
Canadian dollar	122.8	122.8	122.8	122.8
Australian dollar	122.8	122.8	122.8	122.8
Swiss franc	122.8	122.8	122.8	122.8
Japanese yen	122.8	122.8	122.8	122.8
Deutsche mark	122.8	122.8	122.8	122.8
French franc	122.8	122.8	122.8	122.8
Italian lira	122.8	122.8	122.8	122.8
Spanish peseta	122.8	122.8	122.8	122.8
Portuguese escudo	122.8	122.8	122.8	122.8
Belgian franc	122.8	122.8	122.8	122.8
Dutch guilder	122.8	122.8	122.8	122.8
Irish punt	122.8	122.8	122.8	122.8

Prime rate 8.75%
Federal funds rate 8.75%
Fed funds at intervention 8.75%
Treasury bills & bonds 8.75%
Treasury bills 8.75%
Treasury bonds 8.75%
Treasury notes 8.75%
Treasury bills (100-120) 8.75%
Treasury bills (120-150) 8.75%
Treasury bills (150-180) 8.75%
Treasury bills (180-210) 8.75%
Treasury bills (210-240) 8.75%
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Treasury bills (6150-6180) 8.75%
Treasury bills (6180-6210) 8.75%
Treasury bills (6210-6240) 8.75%
Treasury bills (6240-6270) 8.75

"Recent Issues" and "Rights" Page 38
(International Edition Page 42)

Indices

	Feb. 17	Feb. 14	Feb. 13	Feb. 12	1986 High	'86 Low
AUSTRALIA All Ord. (1/1/86) Metals & Minis. (1/1/86)	1048.5 506.1	1048.7 506.7	1052.7 499.5	1056.2 508.5	1079.5 (4/2/86) 505.5 (25/7)	715.5 (7/1/86) 502.5 (7/1/86)
AUSTRIA Credit Alibon (2/1/82)	118.41	117.50	117.72	117.72	120.82 (16/1/86)	68.31 (24/7/86)
BELGIUM Brussels SE (1/1/85)	2088.48	2093.92	2094.34	2076.79	2098.49 (17/4/86)	2080.77 (18/1/86)
DENMARK Copenhagen SE (3/1/85)	(u)	228.79	229.09	229.52	258.48 (7/1/86)	154.44 (9/1/86)
FRANCE CAC Index (2/1/85) Ind Tendence (5/1/85)	287.9 111.5	287.19 112.70	288.5 113.5	287.4 112.8	308.5 (15/2/86) 118.4 (16/2/86)	138.9 (5/1/86) 109.5 (5/1/86)
GERMANY FAZ Aktien (5/1/85) Commerzbank (1/1/85)	651.92 326.9	647.36 325.4	654.38 327.48	673.96 332.2	678.95 (15/2/86) 327.81 (16/2/86)	595.39 (5/1/86) 325.95 (5/1/86)
HONG KONG Hang Seng (21/7/84)	1783.08	1777.54	1778.40	1743.85	1829.34 (5/1/86)	1229.74 (2/1/86)
ITALY Bancon Comm Ital. (1972)	829.55	816.48	817.28	816.97	838.95 (17/2/86)	728.58 (5/1/86)
JAPAN** Nikkei (1/8/86) Tokyo SE New (4/1/86)	15447.9 1075.37	15542.78 1088.79	15238.5 1055.39	15330.0 1055.39	15447.9 (17/2/86) 1075.37 (17/2/86)	17496.50 (1/8/86) 978.55 (4/1/86)
NETHERLANDS AEX General (1970) ANP-GDS Indust (1970)	242.9 242.9	250.7 244.5	252.1 244.9	252.2 244.4	257.9 (1/1/86) 255.1 (1/1/86)	196.9 (5/1/86) 147.9 (5/1/86)
NORWAY sto SE (1/1/85)	373.48	373.30	376.18	382.35	412.86 (12/1/86)	298.18 (1/1/86)
SINGAPORE Straits Times (30/12/85)	617.94	622.62	621.80	618.81	652.85 (7/8)	586.41 (23/1/86)
SOUTH AFRICA JSE Gold (5/1/87) JSE Indust (23/8/78)	—	1189.7 1189.2	1254.7 1194.5	1251.5 1095.5	1307.93 (2/1/86) 1112.93 (1/86)	829.5 (5/86) 767.7 (7/8)
SPAIN Madrid SE (24/1/85)	110.92	111.80	112.54	112.58	116.11 (30/1/86)	100.50 (12/4/86)
SWEDEN Jacobson & P (5/1/2/85)	1856.48	1834.55	1855.08	1858.18	1897.25 (8/1/86)	1286.32 (5/7)
SWITZERLAND Swiss BankOpn (5/1/2/85)	(u)	588.5	587.8	578.5	595.5 (8/1/86)	388.7 (9/1/86)
WORLD M.E. Capital Intl. (1/1/78)	—	271.2	269.2	267.7	271.2 (16/2/86)	184.9 (4/1/86)

Base value of all indices is 100, except: Brussels SE-1,000; JSE Gold-255.7; JSE Industrial 254.3; Australia All Ordinary and Metals-300; NYSE Composite 50; Standard and Poor's-10; and Toronto Composite and Metals-1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/73. * Excluding bonds. † 400 Industrials, plus 40 Utilities, 40 Financials and 20 Transports. ‡ Closed.

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FINANCIAL TIMES

WORLD STOCK MARKETS

EUROPE

Another brace of records

ANOTHER BRACE of records was notched up yesterday on the European bourses as Italian and Belgian investors built on the heavy rises of last week.

Milan gained further mileage from strong institutional and foreign demand which touched first on Fiat and then moved over to other leading blue chips, especially among insurers and holding companies.

Fiat stormed to a new high on resurged, but still flatly denied, suggestions that a 13.5 per cent stake held in the transport group by a Libyan bank had changed hands.

Fiat finished the session with a huge L589 jump to a peak L7,979 and confidently strode across the L8,000 barrier in after-bourse trading with quotes of L8,060.

Olivetti also engaged in some barrier-bopping with its L275 jump to L11,200, a 12-month high, and Montedison returned across the L3,000 threshold with a L33 rise to a high for the year of L3,005; it touched L3,020 in active after-bourse trading.

Initiativa Me Ta, the services unit of Montedison SpA, finished at L62,000, an advance of L3,410, after its listing was

temporarily suspended because its early rise had exceeded 20 per cent.

Banks featured again, with Mediobanca gaining momentum with its L3,000 surge to L164,975, although Banca Commerciale held steady at L22,400. Continued support for leading insurance issues produced more record-breaking performances with Generali, which represents some 10 per cent of the entire bourse's capitalisation, hitting a peak L86,990 with a rise of L2,090. Toro put on an even more impressive display with its L2,100 rise to L34,600.

Saipem was again the odd one out with its L85 fall to L4,695.

The Banca Commerciale index gained about 2.5 per cent with a 13.10 rise to a record 526.53.

The high in Brussels was partly ascribed to a shortage of paper and a

Wall Street stock markets were closed yesterday for a holiday.

thinning out of activity since yesterday was the final session of the current 15-day forward market.

The Belgian Stock Exchange index responded with a 32.66 gain to 3,096.48.

Sentiment remains fundamentally firm against a background of the recent government decisions to stimulate bourse activity and fresh reports that withholding tax on dividends, currently 25 per cent, may be cut.

Petrofina was in the thick of it. Belgium's leading industrial grouping put on Bfr 60 to Bfr 8,810 on the strength of its chemical co-operation pact with Sumitomo of Japan while its laying of the cheap oil price spectre last week also

added to support. Petrofina revealed that it was a net buyer of crude oil and was thus well positioned to benefit from any oil price falls.

Among other holding companies with large energy interests Electrobel added Bfr 175 to Bfr 12,800 and Tractebel sprinted Bfr 190 to Bfr 5,440.

ACEC, the electrical engineer, firmed Bfr 10 to Bfr 870 as it revealed a healthy year-end order book while travel and tourism stock Wagons-Lits recovered from some of last week's late profit-taking and put on Bfr 50 to Bfr 5,000 on more sparkling profit forecasts for 1985.

Banque Bruxelles Lambert was buoyed Bfr 40 to Bfr 2,530 ahead of tomorrow's pricing of the 1m shares, or 9.5 per cent of its expanded share capital, that it is issuing internationally.

Stockholm was transfixed by the Fermenta saga, but some gains were managed. Ericsson was most active and added SKr 4 to SKr 244 while Electrolux enjoyed the attention of hefty overseas buying. The electrical appliance maker picked up SKr 7 to SKr 248.

Pharmacia, subject to a Fermenta takeover, was actively bought SKr 3 up to SKr 177. Volvo, another leading player in the biotechnology link-up, advanced SKr 2 to SKr 314. Trading in Fermenta was suspended, and confirmation that its chief executive had resigned arrived after the close of session.

Frankfurt took a tumble with a sharp 45.6 retreat by the Commerzbank index to 1,808.8, thus surrendering all of the gains of the past two months. The weaker dollar was identified as the culprit although yesterday's closure of Wall Street should have directed some international investment funds towards West Germany.

Daimler was caught in a wave of selling by overseas investors and duly gave up DM 38 to DM 1,250.

WestLB, in its latest analysis of the bourse, suggests that profit-taking has taken its course and prices are set for a revival. The flattening out of export performance brought on by the weaker dollar should be compensated by stronger private consumption and increased investment by industry, it says.

It believes that consumer oriented and engineering stocks still look attractive to foreign investors due to the strength of the D-Mark. Lower oil prices will benefit chemical issues in time, it suggests.

Amsterdam, Paris and Zurich were featureless and closed slightly lower.

LONDON

Imperial bid steals the show

TWO big bids for the Imperial Group in London yesterday put other multi-million-pound takeover offers, which have characterised the sustained upsurge in UK equities, in the shade.

Hanson Trust announced increased terms, which it hoped would win the battle for control of the drinks-to-tobacco group, but United Biscuits replied immediately with an even better conditional counter-offer.

Imperial shares raced to 323p, then closed slightly off the highest at 320p, up 25p. Hanson slipped 5p to 145p while United rose 10p to 323p.

Other blue chips were affected and, after a firm start, turned easier. Disappointing retail sales figures for January prompted profit-taking among the stores sector. But around mid-afternoon, buying interest revived and shares closed off their lows for the day.

The FT-SE 100 recovered from being 10.8 down at 2pm to close 2.5 off at 1,475.3. Supported by the strength of Imperial, the FT Ordinary share index gained 1.9 to a record 1,220.7.

Gifts followed the trend of other international hood markets. Medium and longer-life maturities made further gains of a point as both domestic and overseas investors committed funds.

Chief price changes, Page 41, Details, Page 40, Share information service, Pages 38-39

AUSTRALIA

A CONSOLIDATION phase set in yesterday following sharp losses in Sydney last week.

Although industrials showed gains, these were offset by the easier move among mining issues.

Volume was also depressed by nervousness over the change by Mr Robert Holmes à Court's takeover vehicle, Bell Resources, gained 5 cents to AS2.37 and his other company, Bell Group, added 10 cents to AS6.60.

In mixed golds, Kidston shed 20 cents to AS5.20, and Passidon dropped 15 cents to AS2.20 while CMK and Hanson both gained 10 cents to AS8.00 and AS5.50 respectively.

Elsewhere, oil and gas issue Santos lost 1 cent to AS4.54.

SINGAPORE

PERSISTENT selling pushed prices lower in Singapore after last week's steady climb.

News that Sigma International has been placed in receivership came too late to affect trading. Sigma, the listed company controlled by Tan Koon Swan which was suspended from trading in November, last year bought 22.3 per cent of the now-collapsed Pan Electric.

Singapore Airlines, the market leader, surged 20 cents to a new high of S\$6.25, and trade in the issue accounted for nearly 19 per cent of the day's turnover.

Genting, one of the last bastions in quality Malaysian stocks, gave up a sizeable 14 cents to S\$4.02, taking it to a new low.

Banks were mixed to easier. Properties were also mixed while plantation and tin issues fell sharply.

HONG KONG

GAINS RECORDED early in Hong Kong were slightly eroded by small investors taking their profits.

The Hang Seng index added 3.34 to 1,783.08 after rising more than 10 points earlier in the day.

Properties, which are expected to show strong profits when they report next month, firmed. Cheung Kong added 30 cents to HK\$28.00, Hutchison a similar amount to HK\$28.00, and Hang Lung Developments and New World Developments each gained 5 cents to HK\$6.40 and HK\$12.50 respectively.

SOUTH AFRICA

THE STRONGER rand and weaker price for bullion combined to push gold prices easier in Johannesburg yesterday.

Randfontein shed R3 to R237.50, Lorraine fell 50 cents to R13.50 and Sallies 20 cents to R5.60 while Buffels ended with a 50-cent gain to R75.

In platinum Rustenburg was 40 cents lower at R26.60 and elsewhere, De Beers was unchanged at R17.50. Highveld Steel lost 10 cents to R5.90 and Allied Technology gained R3 to R60.

CANADA

TRADING in Toronto was thin, affected by the holiday on Wall Street. Weakness in the oil sector cast a cloud over most other issues which moved lower.

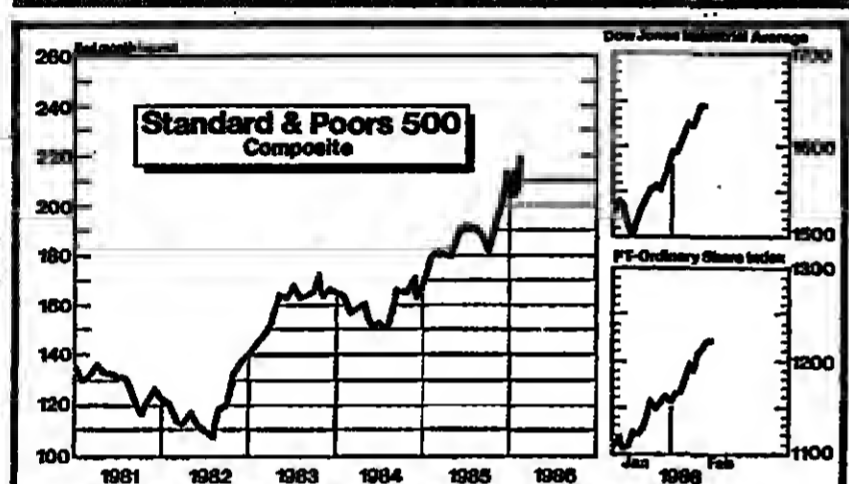
Dome Petroleum edged 12 cents lower to C\$2.11, and Nova Alberta Class A lost C\$4 to C\$6.94.

Banks, which were hit by a rise in interest rates last week, turned firmer, with Toronto Dominion up C\$4.

Montreal rose with all sectors except oils fractionally higher.

Canadian stock listings were not available due to the closure of the US market for a holiday.

KEY MARKET MONITORS



STOCK MARKET INDICES				
	Feb 17	Previous	Year ago	
NEW YORK				
DJ Industrials	closed	1,644.45	1,282.02	
DJ Transport	closed	722.91	629.21	
DJ Utilities	closed	190.70	150.85	
S&P Composite	closed	219.76	181.60	

LONDON				
	Feb 17	Previous	Year ago	
FT 100	1,475.3	1,477.9	1,281.5	
FT-AI share	717.37	710.01	812.20	
FT-A 500	788.89	789.39	698.80	
FT Gold mines	320.4	317.1	511.4	
FT-A Long gilt	10.30	10.43	10.71	

TOKYO				
	Feb 17	Previous	Year ago	
Nikkei	13,447.91	13,342.78	12,148.3	
Tokyo SE	1,075.80	1,063.76	940.96	

AUSTRALIA				
	Feb 17	Previous	Year ago	
All Ord.	1,048.5	1,046.7	786.2	
Metals & Mins.	500.1	503.7	454.9	

AUSTRIA				
	Feb 17	Previous	Year ago	
Credit Aktien	116.41	117.50	64.20	

BELGIUM				
	Feb 17	Previous	Year ago	
Belgian SE	3,096.48	3,063.82	2,169.42	

CANADA				
	Feb 17	Previous	Year ago	
Toronto	2,117.00	2,122.35	2,154.00	
Metals & Mins	2,752.9	2,761.3	2,614.4	

DENMARK				
	Feb 17	Previous	Year ago	
SE	n/a	229.79	176.18	

FRANCE				
	Feb 17	Previous	Year ago	
CAC Gen	297.0	299.8	200.8	
Ind. Tendance	111.5	112.7	70.8	

WEST GERMANY				
	Feb 17	Previous	Year ago	
FAZ-Aktien	631.82	647.56	401.66	
Commerzbank	1,909.8	1,955.4	1,170.0	

HONG KONG				
	Feb 17	Previous	Year ago	
Hang Seng	1,783.08	1,777.54	1,405.83	

ITALY				
	Feb 17	Previous	Year ago	
Banca Com.	528.53	515.43	293.96	

NETHERLANDS				
	Feb 17	Previous	Year ago	
ANP-CBS Gen	252.6	252.7	201.4	
ANP-CBS Ind	243.9	244.3	193.3	

NORWAY				
	Feb 17	Previous	Year ago	
Oslo SE	373.40	375.55	327.22	

SINGAPORE				
	Feb 17	Previous	Year ago	
Strait Times	617.94	622.92	604.14	

SOUTH AFRICA				
	Feb 17	Previous	Year ago	
JSE Golds	-	1,192.7	885.0	
JSE Industrials	-	1,109.2	668.7	

SPAIN				
	Feb 17	Previous	Year ago	
Madrid SE	110.82	111.89	85.68	

SWEDEN				
	Feb 17	Previous	Year ago	
J & P	1,836.48	1,824.53	1,448.12	

SWITZERLAND				
	Feb 17	Previous	Year ago	
Swiss Bank Ind	closed	569.3	415.7	

WORLD				
	Feb 17	Previous	Year ago	
MS Capital Int'l	271.2	269.2	198.6	

COMMODITIES				
	Feb 17	Previous	Year ago	
(London)				
Silver (spot fixing)	412.95p	408.05p		
Copper (cash)	£386.50	£386.00		
Coffee (Mar)	£2,332.50	£2,280.00		
Oil (spot Arabian Light)	n/a	n/a		

GOLD (per ounce)				
	Feb 17	Previous	Year ago	
London	\$333.25	\$330.60		
Zurich	\$333.25	\$330.60		
Paris (franc)	\$333.25	\$331.63		
Luxembourg	\$333.25	\$331.25		
New York (April)	\$336.20	\$335.30		

TOKYO

Run to peaks fuelled by yen rate

INVESTORS stepped up buying in Tokyo yesterday, pushing the Nikkei stock average up to a record high for the third consecutive session, writes Shigeo Nishiwaki of Jiji Press.

News that the yen had broken the Y180 barrier early in the morning on the Tokyo foreign exchange market prompted investors to buy shares that would benefit from the yen's appreciation against the US dollar. But speculative buying interest centred on issues related to public works and consumption. Blue chips were out of favour.

The Nikkei stock average gained 43.61 points to 13,447.91 with volume continuing at a heavy 361m shares after Friday's 681m. Gainers outnumbered losers by 469 to 361, with 124 issues unchanged.

Gas and electric power stocks that would benefit from the yen's rise, lower crude oil prices and lower interest rates were spotlighted. Tokyo Gas, in particular, was prominent on the shopping list, jumping Y24 to Y327 on by far the largest volume of 44.22m shares.

Tokyo Electric Power, another leading issue that would draw strength from the yen's appreciation, opened firm but closed only Y20 up at Y2,890.

Buying interest still centred on volatile, low and medium-priced shares traded at around Y500. Isaki soared Y87 to Y445 on speculation that the hydroponic technology the company is researching will lead eventually to factory farm goods production. The stock ranked second on the list of 10 most active stocks with 17.45m shares traded. Rumours of cornering by speculators also stirred buying interest.

Ebara gained Y14 to Y550 on prospects that its desulphurisation and denitrification equipment will help eliminate acid rain pollution. The stock was third on the active list, with 12.83m shares traded.

Sankyu fluctuated widely between Y278 and Y300 after it was decided to declare its subsidiary, Nakamura Steamship, bankrupt with debts of more than Y160bn. But the market's view that the company will be bailed out sent the stock higher to close at Y300, up Y48 from the previous close.

Toyo Tire and Rubber gained Y48 to Y433 on rumours that the company had increased its holdings of Toyota Motor shares. Dai Nippon Toyo also rose Y29 to Y328.

Elsewhere, construction issues firmed on growing expectations that the Government will strengthen measures to expand domestic demand. Kajima climbed Y13 to Y524 and Mitsui Construction Y15 to Y378.

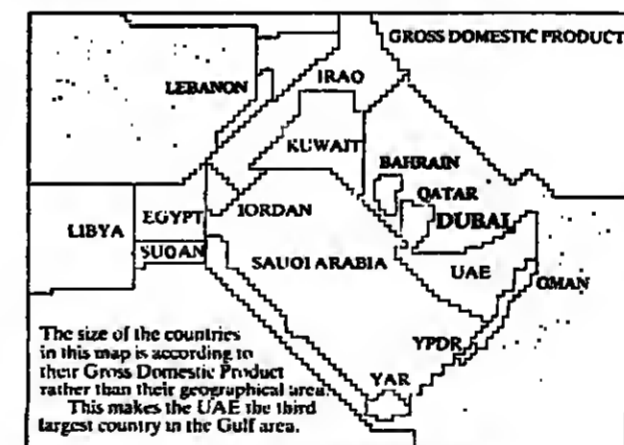
Janome Sewing Machine, which had led the medium-priced shares since late in January, moved up the maximum Y100 to Y1,210, almost tripling the price of Y447 traded on January 22. But speculators remained bullish.

How to pick the winning spot in the Arabian Gulf (without closing your eyes).

The Middle East is far too important a market to miss out on. And in today's competitive conditions, you have to set up an office there. Fine in theory. But you then have to pick the spot.

You can spend a lot of time agonising between Bahrain and Kuwait, Riyadh, Nicosia and Doha. And become more and more downcast by the drawbacks.

For instance, one place could be a bit more sympathetic to Western business methods. Another is cut off and weak on distribution.



A fresh look at the Middle East

Here, there's not much money and a stagnant economy. Or not enough people. Over there, too costly and too much red tape. And so on, and so on.

This is where we'd like to give you a brilliant idea: Dubai. In the United Arab Emirates.

WHY DUBAI?

There are three key factors that influence your choice of location. Let's call them environment, growth and communications. As you'll see, only Dubai scores highly in each one. So it outpicks every other place in the Middle East.

ENVIRONMENT

You need a place that understands modern business. Dubai never became rich on oil. It has been the leading port in the Gulf and a centre for trade for centuries. So in Dubai they know red tape strangles enterprise.

The infrastructure and work force are here already, along with ports and free-trade zones. And a government that's committed to business prosperity.

Hopefully there will be times when your staff won't be working. So you need an environment that's nice to live in too.

Now it's common knowledge that Dubai is the most comfortable and hospitable place in the Gulf. With excellent hotels, sports and social life.

It has schools and shops to suit every nationality, and the local services like electricity, water and refuse disposal are a model of efficiency.

And amazing as it may seem, the cost of this good and ever-improving way of life is lower than in most of the other places we've mentioned.

GROWTH

It's one thing to have a nice environment. But is it going somewhere? Dubai is far from being stagnant.

Since the great boom of the '70s the UAE has settled down to a surer growth, with healthy diversification complementing the oil and gas sector.